

## URBAN AND ECONOMIC DEVELOPMENT FOR LONDON CITY

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**Abstract:** *The UK Government set an objective in 2010, nearby power financing would be decreased by 26% by 2014/15. Hence, they would do a spending survey every year. A degree of further decrease would come each year. The neighborhood government subsidizing component is additionally evolving. There is a change going to the welfare framework. A prologue to all-inclusive credit, changes in lodging advantages, and restriction of board tax cuts are presented. Here are a portion of things to come forecast, that were anticipated from the spending limit and yearly articulation investigation of those three years in London Borough of Richmond Upon Thames. The city of London will have a comparable ramifications in a bigger degree.*

**Keywords:** Development process, Urban in London, economic impact

### 1 INTRODUCTION

London is the city capital of the United Kingdom and it is among the oldest of the world's great cities with its history spanning nearly two millennia. By far Britain's largest metropolis and one of the most cosmopolitan it is also the country's economic, transportation, and cultural center.

London's population has exceeded one million by 1800 but a century later it reached 6.5 million and this was due to the work of unfettered capitalism driven by the housing demands of the rising middle class. Lots of the land around London were owned by aristocracy, the church and other institutions with feudal roots. The solidly build-up area of London measured around 8 km from east to west in 1750, 24 km in 1850 and 50 km in 1950.

Looking from the tourism perspective its traffic concentrates on an area defined by the main attractions each drawing between one and seven million visitors in the course of the year and these are: Westminster Abbey, Madame Tussaud's, the British Museum and National Gallery, Buckingham Palace, the Tower of London and Tate Galleries. (Hebbert, 2015)

Estate agents and property correspondents like to describe London as a collection of villages because from their perspective London had developed in a dispersed, haphazard fashion from an early stage and buildings of different ages and types help to the character of residential areas as well as to relieve suburban monotony.

There are many reasons why London became one of the most culturally vibrant cities in the world; some are:

1. Three of the top ten museums and galleries in the world are in London and 857 art galleries in total.
2. London has four UNESCO world heritage sites: Tower of London, Maritime Greenwich, Westminster Palace which includes

Westminster Abbey and Churches well as Kew's Royal Botanic Gardens.

3. There are more than 300 languages spoken in London, more than in any other city in the world.
4. 84% of Londoners think that the city's cultural scene is important in ensuring a high quality of life. (GLA/ICM research).
5. London has over 170 museums with 11 national museums including the British Museum - home to thousands of years of culture including the Rosetta Stone (196 BC)..
6. Around 250 festivals take place in London every year including London's largest free festival, the Mayor's Thames Festival, and Europe's biggest street festival, the Notting Hill Carnival which attracts near one million people.
7. London presents more live comedy than any other city in the world. From hosting new talent in the backrooms of pubs to the likes of Ricky Gervais, Chris Rock and Steve Coogan performing in major arenas.
8. London dominates the UK visual arts sector, which accounts for 30% of the global art market.
9. From the first performance of Shakespeare at The Globe in 1599 there are now at least 200 shows to choose from every day across West End including current hits Matilda and War Horse.
10. London has more than 800 bookshops and over 380 public libraries including the British Library, which holds the Magna Carta.
11. The London Design Festival is now the world's leading event of its kind, which attracted over 350,000 people in 2012 to innovative projects including the ground breaking audio-technology, the BE OPEN Sound Portal.

12. A third of all the UK's archives are in London including the National Archives which dates back to the 11th century and preserves William the Conqueror's Domesday survey. (Mayor of London, n.d).

## 2 LONDON'S BUDGETS

London is one of the most important cities of the world. The budget of London has very important implications. Here the London Borough of Richmond upon Thames' Account Statements will be discussed. The London Borough of Richmond is situated in the south west of London and was created in 1965. The borough is the home to the National Physical Laboratory and some more attractions like the attractions of Kew Gardens, Hampton Court Palace, Twickenham Stadium and the WWT London Wetlands Centre that draw domestic and international tourism (Visit Richmond, n.d). Richmond represents the city of London. The three financial years will be discussed in this case – 2011-12, 2012-13 and 2013-14.

### *Budget of 2011/2012*

Taking into consideration the revenue budget to start with the 2010 Comprehensive Spending Review (CSR10) has identified that in order to bring Government borrowing under control and reduce the structural budget deficit £81bn of reductions to public expenditure would be required over the next 4 years.

The Richmond settlement was one of the worst and summarized as it follows:

- Reductions in Formula Grant of 14.3% in 2011/12.
- Losses in specific grants totalling £2.7m.
- New Council Tax Freeze Grant of £2.9m.
- Announcement that the Primary Care Trust (PCT) would receive £1.75m to be spent on areas of joint benefit to social care and health. The Council was faced with setting a budget that needed to address unavoidable growth pressures whilst also taking into account the loss in central government support.

Looking to the budget in more depth we will need to consider that it was built in with specific funds for new demands / costs of statutory services. It was divided as it follows:

- £2m to address the existing overspend in Social Care (offset with new savings plans).
- A further £0.5m for further growth demands on social care services. • £0.5m on Children's services.
- Just under £0.5m as a result of changed interest rate assumptions for borrowing/investments.

Included efficiency/cuts/income generation of £11.9m.

Included specific one off allowances, totaling £3.25m, to provide for investment in the Council's priorities (pot hole repairs, Twickenham Riverside improvements / 'uplift' schemes and support for the development of the Education Strategy for school places). (Maidment, 2012)

In the following table, we can see the revenue spend reported in July 2012.

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Directorate	Budget £m	Outturn £m	Variance £m
Education, Children's & Cultural Services	28.2	28.2	0.0
Adult and Community Services	62.1	60.1	(2.0)
Environment	22.1	22.0	(0.1)
Finance & Corporate Services	25.2	24.8	(0.4)
Central Items & Contingency	8.3	6.9	(1.4)
<b>Total</b>	<b>145.9</b>	<b>142.0</b>	<b>(3.9)</b>
Recommended Carry Forwards	0.0	0.8	0.8
Used to Finance the Capital Programme	0.0	3.6	3.6
<b>Final balance met from General Reserve</b>	<b>145.9</b>	<b>146.4</b>	<b>0.5</b>

*Source: London Borough of Richmond Upon*

At this point the underspend Councils position is facing major challenges due to the requirements to cope with funding pressures whilst trying to maintain key services and try not to increase the Council Tax. Also the Government is looking to make major changes to the Welfare System by bringing in the Universal Credit together with changes in the Local House Allowance and Council Tax Benefit which we are going to see in the reports during 2012/2013 review.

### 2.1 Capital expenditure

Looking at Table 2 we can confirm the fact that the continuous focus is on Education projects the continuous requirement being to provide additional school places and to do this further borrowing may be the required. The Council had total debt of £48m at 31st March 2012 of which £40.9m was long term to support capital investment. It has the power to borrow to fund short term cash flow or for long term capital investment (e.g. building works) and cannot borrow to invest in the financial markets. The Council has to demonstrate its need to borrow based on planned capital works and has to assess the affordability of the borrowing required for these works before agreeing the capital programme.

The Council has a 5 Year Capital Programme which is reviewed annually along with the Prudential Indicators based on the programme which give more information on the need for and costs of borrowing of the Programme and facilitates informed decision making. This programme includes £56m of new borrowing over the 5 years to finance £146m of capital spend, a large proportion of which is related to the expansion of borough primary schools required due to rising school rolls in the borough. (Maidment, 2012).

Table 2 Maidment, 2012

Directorate	Budget £000	Outturn £000	Slippage / Re- phasing £000	Variance £000
Education, Children's Services & Culture	42,195	41,020	1,222	47
Adult and Community Services	7,179	4,558	2,621	0
Environment	9,901	8,107	1,731	(63)
Finance & Corporate Services	2,151	2,047	35	(69)
<b>Total</b>	<b>61,426</b>	<b>55,732</b>	<b>5,609</b>	<b>(85)</b>

Source: London Borough of Richmond Upon

## 2.2 The core financial statements

In Table 3 we can observe the movement in the year 2012 analyzed as 'usable reserves' which are applied to fund expenditure or reduce local taxation and 'unusable reserves'. We can also see the 'surplus' or deficit line which shows the true economic cost of providing all the services and these are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the change to the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Table 3 Usable and Unusable Reserves movement

	Notes	General Fund Balance (restated) £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (restated) £000	Total Unusable Reserves (restated) £000	Total Council Reserves (restated) £000
<b>Balance at 31 March 2010 (restated)</b>		<b>(10,706)</b>	<b>(43,017)</b>	<b>(2,165)</b>	<b>(5,030)</b>	<b>(60,918)</b>	<b>(378,032)</b>	<b>(438,950)</b>
<b>Movement in reserves during 2010/11</b>								
(Surplus) or deficit on provision of services	C/E	(48,169)	0	0	0	(48,169)	25	(48,144)
Other Comprehensive Expenditure and Income	C/E	(57,885)	0	0	0	(57,885)	0	(57,885)
<b>Total Comprehensive Expenditure and Income</b>		<b>(106,054)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(106,054)</b>	<b>25</b>	<b>(106,029)</b>
Adjustments between accounting basis & funding basis under regulations	7	102,237	0	(1,542)	1,037	101,732	(101,732)	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(3,817)</b>	<b>0</b>	<b>(1,542)</b>	<b>1,037</b>	<b>(4,322)</b>	<b>(101,707)</b>	<b>(106,029)</b>
Transfers to/from Earmarked Reserves	8	3,817	(3,817)	0	0	0	0	0
<b>Increase/Decrease (movement) in Year</b>		<b>0</b>	<b>(3,817)</b>	<b>(1,542)</b>	<b>1,037</b>	<b>(4,322)</b>	<b>(101,707)</b>	<b>(106,029)</b>
<b>Balance at 31 March 2011 carried forward (restated)</b>	25/26	<b>(10,706)</b>	<b>(46,834)</b>	<b>(3,707)</b>	<b>(3,993)</b>	<b>(65,240)</b>	<b>(479,739)</b>	<b>(544,979)</b>
<b>Movement in reserves during 2011/12</b>								
(Surplus) or deficit on provision of services	C/E	(41,296)	0	0	0	(41,296)	5	(41,291)
Other Comprehensive Expenditure and Income	C/E	31,223	0	0	0	31,223	0	31,223

Movement in Reserves continued...	Notes	General Fund Balance (restated) £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves (restated) £000	Total Unusable Reserves (restated) £000	Total Council Reserves (restated) £000
<b>Total Comprehensive Expenditure and Income</b>		<b>(10,073)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,073)</b>	<b>5</b>	<b>(10,068)</b>
Adjustments between accounting basis & funding basis under regulations	7	4,341	0	(2,661)	(9,568)	(7,888)	7,888	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>		<b>(5,732)</b>	<b>0</b>	<b>(2,661)</b>	<b>(9,568)</b>	<b>(17,961)</b>	<b>7,893</b>	<b>(10,068)</b>
Transfers to/from Earmarked Reserves	8	6,232	(6,232)			0	0	0
<b>Increase/Decrease (movement) in Year</b>		<b>500</b>	<b>(6,232)</b>	<b>(2,661)</b>	<b>(9,568)</b>	<b>(17,961)</b>	<b>7,893</b>	<b>(10,068)</b>
<b>Balance at 31 March 2012 carried forward</b>	25/26	<b>(10,206)</b>	<b>(53,066)</b>	<b>(6,368)</b>	<b>(13,561)</b>	<b>(83,201)</b>	<b>(471,846)</b>	<b>(555,047)</b>

The Council's investment objectives are to achieve security and liquidity of investments and obtain the optimum return commensurate with the prior objectives. Overall levels of investment are governed by cash flow projections which are used to determine the duration of investments made to ensure sufficient liquidity. Liquidity is further enhanced by the use of "instant access" deposit accounts, and as a last resort the Public Works and Loans Board (PWLb) would offer short term loans to cover any cash flow deficit. There was no requirement to use PWLB borrowing in

this way during 2010/11 or 2011/12. The credit ratings are continuously monitored by the credit rating agency and this assessment is used to determine appropriate limits for each category of investment. The Council also recognizes banks and building societies with substantial government ownership as secure institutions, with this support overriding low credit ratings. Here there is a summary of relevant limits approved for 2011/12:

Banks with over 40% UK government ownership - up to £15 million Building Societies with

required credit rating - up to £5 million for up to 3 months. Money Market Funds with AAA Fitch rating - up to £10 million Local Authorities - up to £5 million or 10% of net budget per authority UK Government Debt Management Office - unlimited investment.

During 2011/12, regular reports were made to Cabinet mentioning that the focus needs to be on the security of investments and updates on the financial market position. (Maidment, 2012)

### **Budget 2012-13**

The budget of 2012-13 and 3 year Medium Term Financial Strategy (MTFS) was set against a background of austerity measures designed to reduce the UK budget deficit and public borrowing alongside continuing increases in demand for public services. There was a big push from Government right after the economic crisis to cut down the public spending and control public borrowing. The direct impact on Richmond will continue to come mainly through the Local Government Finance Settlement and the consequent reductions in grant funding. The Government has announced that it intends to continue to reduce public sector spending for at least 2 years beyond the current spending review (i.e. in 2015/16 and 2016/17). Any cuts for Local Government will be on top of the 26% reduction in funding for Local Government over 2011/12-2014/15. All of the Council's plans are set against this backdrop of reducing resources but will also seek to take advantage of short term measures to help local people including Council Tax Freeze Grant allocations. (Maidment, 2013)

The Council set a key objective not to increase Council Tax in 2012/13 and 2013/14 and work towards zero or sustainable low increases in the years beyond.

### **Key Points of the Budget**

The Richmond element of Council Tax was frozen at the previous year's level. The council tax requirement was set at £115.855m by Full Council on 28 February 2012. Key points to note about the 2012/13 budget are:

General grant reduced by £3.5m but the Council received additional one off Council Tax Freeze grant (£2.9m) and New Homes Bonus grant (£1.1m).

The Council received an additional £3m in ringfenced Dedicated Schools Grant, which was reflected in the level of schools expenditure budgets.

Budgets for adults and children's care services were increased by a total of £1m for demand led pressures. One off funding for investment priorities was provided as follows:

- Pavements and potholes - £1m.
- Social care initiatives - £0.5m.
- Wider works on Twickenham Riverside - £0.5m.
- Sixth forms in schools - £1m.
- Parks - £0.6m.

The following table shows the summary of provisional

revenue and capital outturn for the year 2012-13. (Maidment, 2013).

*Table 4 summary of provisional revenue and capital outturn for the year 2012-13. (Maidment, 2013)*

	Budget	Outturn	2013/14 Commit- ments	Variance
Directorate	£000	£000	£000	£000
Education, Children's & Cultural Services	35,263	35,603	0	340
Adult and Community Services	58,642	56,841	514	(1,287)
Environment	23,696	21,773	588	(1,335)
Finance & Corporate Services	23,054	22,007	0	(1,047)
Central Items & Contingency	(24,800)	(25,325)	0	(525)
<b>Total</b>	<b>115,855</b>	<b>110,899</b>	<b>1,102</b>	<b>(3,854)</b>

The Education, Children's & Cultural Services (ECCS) directorate experienced a number of overspends and under spends in relation to demand led services during 2012/13 resulting in a net overspend of £340k. The main two areas of pressure subject of overspend control reports during the year were Looked after Children and Special Educational Needs. Both these overspends reflect increasing numbers of children who use these services and in the case of Looked after Children a number of high cost placements. Adult and Community Services underspent by a net £1.3m and environment directorate underspent by a net £1.4m. The Finance and Corporate Services Directorate also underspent by £1.4m that includes Council Tax and Business Rates, Internal Audit, Corporate Management, Legal Services and Accountancy.

### **Budget 2013/2014**

Looking at the 2013/2014 Financial Strategy had enabled the achievement of the so much promised 0% Council Tax ensuring that high quality services are still maintained. Achieving this targets won't be so easy due to the pressure on public finances and also the large scale of change that is required. The plan for the Council is to ensure that:

- Spending is being managed within the overall agreed budget.
- The headcount of the Council is reduced.
- The move towards a Commissioning Council yields real savings whilst maintaining excellent service standards.
- The Capital Programme is set at a prudent, affordable level to achieve the Council's priorities

In 2013/2014 the Council's main achievements were the improvement of resident satisfaction a recent survey stating that 83% of the residents were satisfied with the way things were ran so 79% said that they trust the council and another 57% said that they think the Council provides them with a good value of money.( STATEMENT OF ACCOUNTS 2013/14 Page 4):

- The achievement of £5.5m of efficiency savings through the re-procurement of contracts, restructuring of services and generation of additional income.
- The transfer in of Public Health Services into the Council's Adult and Community Services Directorate (from NHS) in line with the requirements of the Health and Social Care Act 2012.

<http://www.visitrichmond.co.uk/> [Accessed 2 Dec, 2015]

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One important funding of £8m Government Grant was made for staff members to make sure the health of residents is improving by preventing sickness via appropriate information and advice, diagnosis and treatment of illness. (Maidment, 2014).

### 3 CONCLUSION

As the UK Government set a target in 2010, local authority funding would be reduced by 26% by 2014/15. Therefore, they would be doing spending review annually. A level of further reduction would come every year. The local government funding mechanism is also changing. There is a change coming to the welfare system. An introduction to universal credit, changes in housing benefits and localization of council tax benefits are introduced. Here are some of the future prediction, that were predicted from the budget and annual statement analysis of those three years in London Borough of Richmond Upon Thames. The city of London will have a similar implication in a larger extent.

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