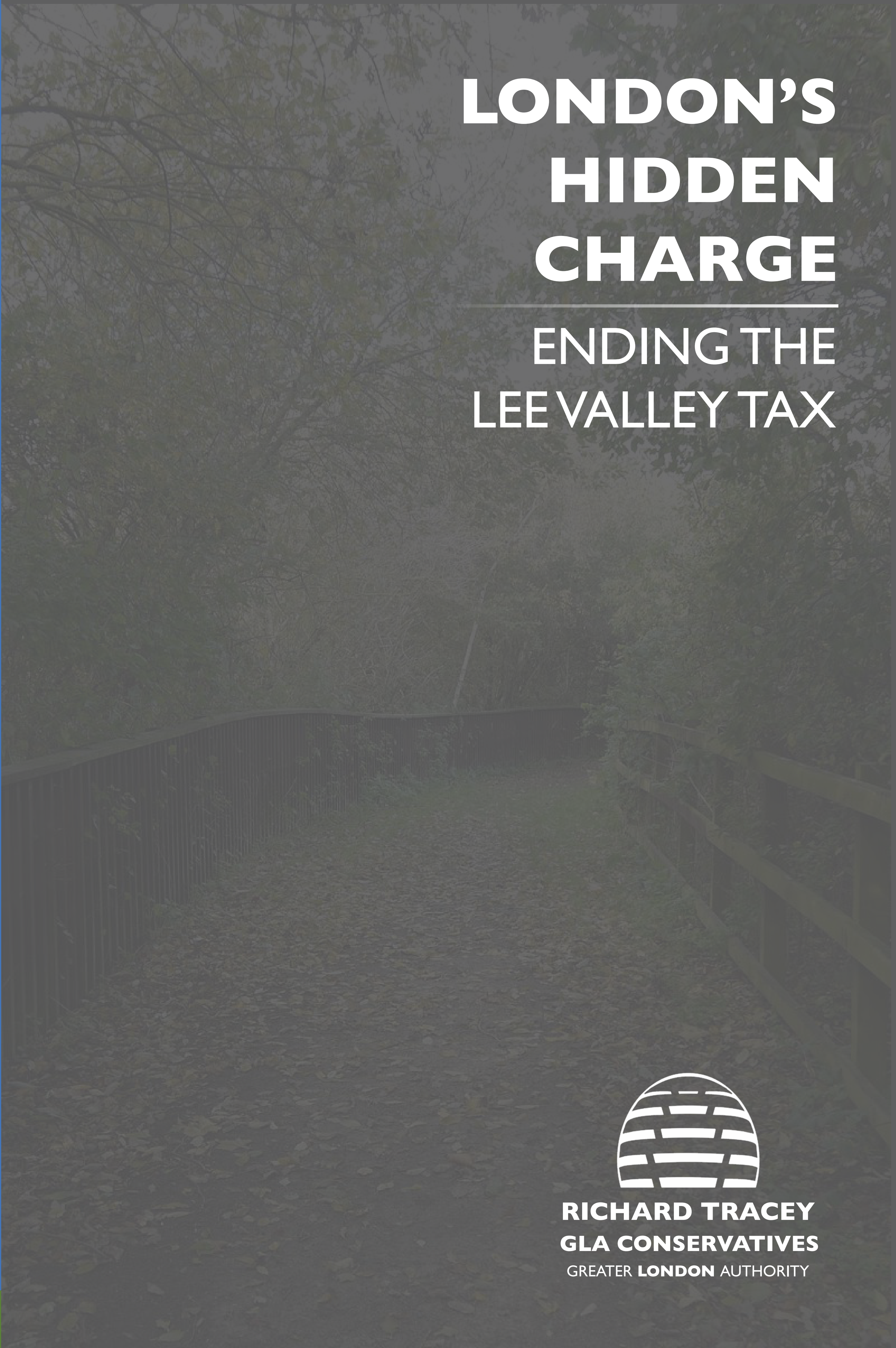


LONDON'S HIDDEN CHARGE

ENDING THE LEE VALLEY TAX

RICHARD TRACEY

GLA CONSERVATIVES

GREATER **LONDON** AUTHORITY

2012

CONTENTS

INTRODUCTION

The Lee Valley Park is a 26-mile regional park located in parts of north east London, Hertfordshire and Essex. Since its establishment in 1967, the Park has been funded by a levy on all London boroughs, together with the whole of Hertfordshire and Essex. A total of £11.7 million was levied from local authorities in the financial year 2012/13, including £8.7 million from London boroughs[1], and this funding continues to make up the majority of the Park's income and expenditure.

The Park's activities include regional sports centres, urban green spaces, country parks, nature reserves, gardens and heritage sites. An average of 2.4 million Londoners visit the Park per year, although visitor numbers vary widely across different boroughs.[2]

After all this time, it is right to question whether this guaranteed annual subsidy from council tax payers should continue. Local authorities have increasing pressures on their finances, with competing priorities for their scarce resources, whilst the Lee Valley area is remote to many London boroughs and their residents. At the same time, the Lee Valley Park has numerous sporting and leisure facilities, including some of the new Olympic venues that it is due to gain, with considerable economic potential.

We will therefore make the case that it is time for the Lee Valley Park to become entirely self-sufficient. Within the next five years, the compulsory levy on local authorities should be phased out, with appropriate changes to legislation, and the Park should become a self-financing operation.

In the sections below we will set out where we think there is scope to generate new funding to replace the levy, looking at the Park's facilities and services, its visitor numbers, and the potential for more effective local partnerships. This is not intended as an exhaustive list but as a starting point to develop a new financial model. Appendices 1 and 2 provide further details on the levy, visitor numbers and cost per visitor for each

1 See Appendix 1 for sources and further details.
2 See Appendix 2 for source and further details.

London borough. Our report primarily has a London focus but our findings will clearly have benefits and implications for neighbouring authorities in Hertfordshire and Essex.

In calling for a new funding model, we in no way wish to diminish the value and achievements of the Lee Valley Park and those who run it. On the contrary, we feel that the Park has outgrown the need for a council tax levy and has the potential to stand on its own two feet. Just as the Park's creation in this area forty-five years ago was a groundbreaking achievement, it should demonstrate a similar vision and ambition in setting a new standard for the funding of regional parks.

BACKGROUND

The Lee Valley Park covers a 26-mile, 10,000 acre linear area, stretching across parts of north east London, Hertfordshire and Essex. It follows the banks of the River Lee, starting at Ware in Hertfordshire, continuing through Essex and ending at the Thames at East India Dock Basin. The Park's history dates back to 1944, when it was first envisaged as part of the Greater London Plan, and by the early 1960s it had gained sufficient support for a formal appraisal to take place. In 1966 the Lee Valley Regional Park Act[3] was passed by Parliament, and the Park was established on 1st January 1967.

The Park is contained within the six London boroughs of Enfield, Hackney, Haringey, Newham, Tower Hamlets and Waltham Forest, as well as the local authority areas of Broxbourne and East Herts in Hertfordshire and Epping Forest in Essex. These authorities, along with Hertfordshire and Essex County Councils, are known as the 'riparian' authorities. The Park is governed by the Lee Valley Regional Park Authority (LVRPA) and its board, which includes 20 members from the riparian authorities, 8 members from the remaining London boroughs and 2 co-opted members from British Waterways and the Environment Agency[4].

The Park has a vast array of sports, leisure, nature and heritage assets. Its facilities include an ice rink, a riding centre, an athletics centre and other regional sports centres, together with urban green spaces, country parks, nature reserves, gardens and heritage sites, such as Myddelton House, Rye House and Three Mills Island. The Lee Valley White Water Centre was a host venue for the London Olympics, and the Park will also be gaining three further Olympic legacy venues – the VeloPark, Hockey Centre and Tennis Centre. The Park's net assets in 2011/12 were £77.6 million, and it is likely to gain over £100 million in assets from the Olympic venues once they are transferred.[5]

The Park Authority also has a planning function. It sets a development plan for the Park's area, which forms part of the planning policy for local authorities and must be taken into account when planning decisions are made. If the Authority decides that a particular planning application is contrary to its development plan, it has the power to refer that application to the relevant Minister for further consideration.

Many of the Park's structures, activities and other arrangements are governed by the original 1966 Act, including the provisions for a levy of local authorities in the area. The Act provides the Park with a wide remit, covering leisure, sport and recreation, including nature conservation and the protection and enhancement of the natural environment. There have been minor amendments to

3 A copy of the Act is available on the LVRPA website at http://www.leevalleypark.org.uk/en/content/cms/corporate/about-us/governing-legislation/

4 LVRPA website, How we are run, accessed Oct 2012. http://www.leevalleypark.org.uk/en/content/cms/corporate/about-us/how-were-run/#governance

5 LVRPA, Statement of Final Accounts 2012, pages 17 and 11. Available at: http://www.leevalleypark.org.uk/en/content/cms/corporate/business-finance/finance/#final-accounts

the Act following reorganisations of local government, including the abolition of the Greater London Council in 1986.

FINANCIAL ARRANGEMENTS

The Park is principally funded by a levy of all London boroughs, together with Hertfordshire and Essex County Councils and Thurrock Unitary Authority. The amount paid by each authority is calculated based on the number and band of council tax payers in each authority. The ceiling for the levy is set by The Levying Bodies (General) Regulations 1992, which is adjusted annually for inflation.

Originally the levy was charged to the former Greater London Council, and this was transferred to the London boroughs when it was disbanded in 1986. This historical situation partly explains why the levy is paid by all London boroughs rather than just those within the Lee Valley area. A similar change was made following the split of Thurrock Council from Essex in 1997 to become a unitary authority. Despite the above changes, the basic principles of the levy have remained virtually unchanged since 1967.

In the financial year 2012/13, a total of £11.7 million was levied from local authorities, including £8.7 million from London boroughs. A full breakdown of levies paid by each local authority for the last three years can be found in Appendix 1.

The Park Authority has a long term policy of reducing its reliance on the levy to 53% of the maximum that it can legally charge, whilst increasing its commercial income[6]. In 2005/06 the levy started to fall in relative terms. Since 2010/11 it has fallen in real cash terms and is due to be frozen in the years following 2012/13. The levy has also been falling as a percentage of gross expenditure, from over 70% in 2005/06, and is expected to fall to around 50% by 2014/15[7]. In 2012/13, the total gross expenditure is forecast to be £20.4 million, with 43.1% generated from commercial income and the remainder from levy income[8].

Whilst these efforts to reduce the levy are a significant and welcome direction of travel, it is notable that the Authority still expects to raise at least half of its income from the local taxpayer by 2015. Beyond this date there is little indication as to whether there would be further reductions and if so by how much. In our view there is scope for a far more ambitious approach.

FACILITIES AND SERVICES

The Park currently makes an operating loss on providing its services and facilities. According to the 2011/12 accounts for the Authority, there was a £17.8 million gross expenditure on providing the Park's core services, including heritage, sports, recreation and open space facilities. Although these services generated an income of £8.8 million, the net loss was therefore around £9 million[9]. By way of comparison, the total levy in 2011/12 was just under £12 million, including £8.9 million from London boroughs.

Looking at the individual facilities, only two managed to make a profit, and even these were relatively slim – the Lee Valley Boat Centre and the Lee Valley Campsite, at £4,000 and £15,000 respectively[10]. All other facilities made significant losses, including the Ice Centre, the Riding Centre and the White Water Centre. In total, the Park's sports

6 LVRPA website, Finance: Overview, accessed Oct 2012 http://www.leevalleypark.org.uk/en/content/cms/corporate/business-finance/finance/#overview

7 LVRPA response to information request, Oct 2012

8 LVRPA website, Finance: Overview

9 LVRPA, Statement of Final Accounts 2012, pages 80-81. Calculated from 'Culture and heritage', 'Recreation and sport' and 'Open spaces'.

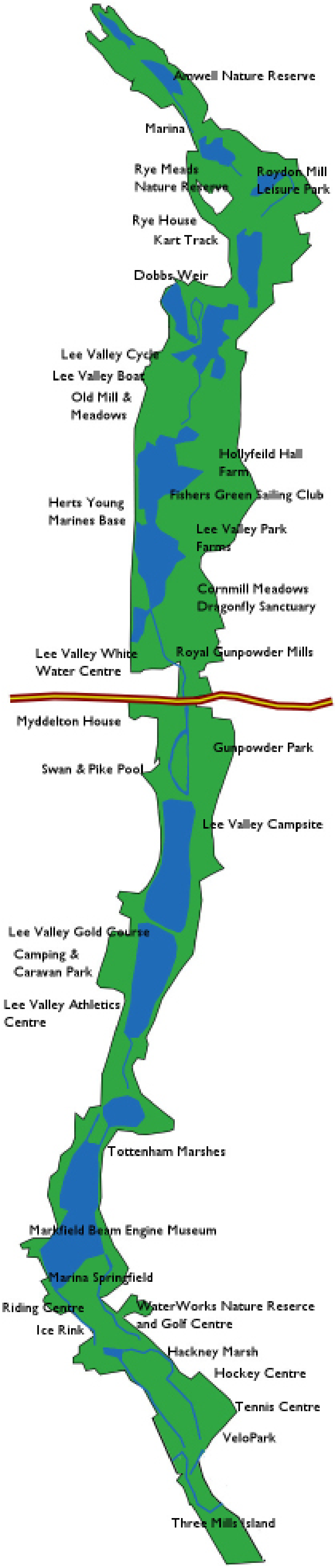
10 Ibid.

and recreation facilities generated a loss of £4.2 million[11]. A recent report into the Ice Centre found that it is still in deficit by over £100,000 a year, despite rapidly increasing levels of usage[12].

On paper, many of the Park's key facilities should be good commercial assets in their own right, generating profits rather than losses for the Park Authority. There is no shortage of ice rinks, riding centres and other similar facilities being provided as commercial ventures across London and the South East, so it is difficult to see the need to provide them in the Lee Valley if they are generating a loss.

Whatever reason for these losses, it is highly questionable whether it is the best use of public funds for these expenses to fall on the local taxpayer. If it is the case that these key facilities are simply not fulfilling their commercial potential, then perhaps a revised business model or outsourcing is required. If the losses reflect capital costs, then it would be expected that these facilities should naturally return to profit and reduce reliance on the levy of their own accord. If the losses are subsidising other uses, such as national training facilities or sporting events, alternative funding arrangements should be made for this. Ultimately, however, if the facilities are making losses for purely commercial reasons, the solution may be to sell or wind up these assets so that the money can be better used elsewhere.

Clearly the wide variety of different facilities and services in the Park means that some sites would typically be more profitable than others. However, even if some of the Park's more lucrative facilities merely broke even, this would reduce the need for a substantial proportion of the levy. If they made a profit, these facilities could then cross-subsidise some of the other less profitable sites. This would have the potential to



11 Ibid.

12 LVRPA Scrutiny Committee, Review of the Lee Valley Ice Centre, pages 10-11, March 2012. Available at: http://www.leevalleypark.org.uk/en/content/cms/corporate/about-us/meeting-documents/scrutiny-committee/

remove the need for the levy entirely.

Recommendation 1: The current lack of profitability in the Park's key facilities should be urgently addressed, so that they can make a full and proper financial contribution towards the running of the Park.

VISITOR NUMBERS AND BOROUGH PRIORITIES

According to the Park Authority's figures, there were 4.7 million visitors to the Park in 2011/12[13]. In addition, the average number of visitors per year from London boroughs over the last four years was just over 2.4 million[14]. Full details of the London figures, including a borough breakdown, can be found in Appendix 2.

From the London perspective, the overwhelming majority of the visitors to the Park came from the six riparian boroughs plus Islington and Redbridge. 1.9 million visitors came from these boroughs, or 78% of the London total, compared with 561,651 for the remaining 25 boroughs[15]. However, in 2011/12, the eight boroughs paid a total levy of just over £2 million, 23% of the total for London[16]. This highlights the very wide discrepancy between those who use the Park and those who pay for it.

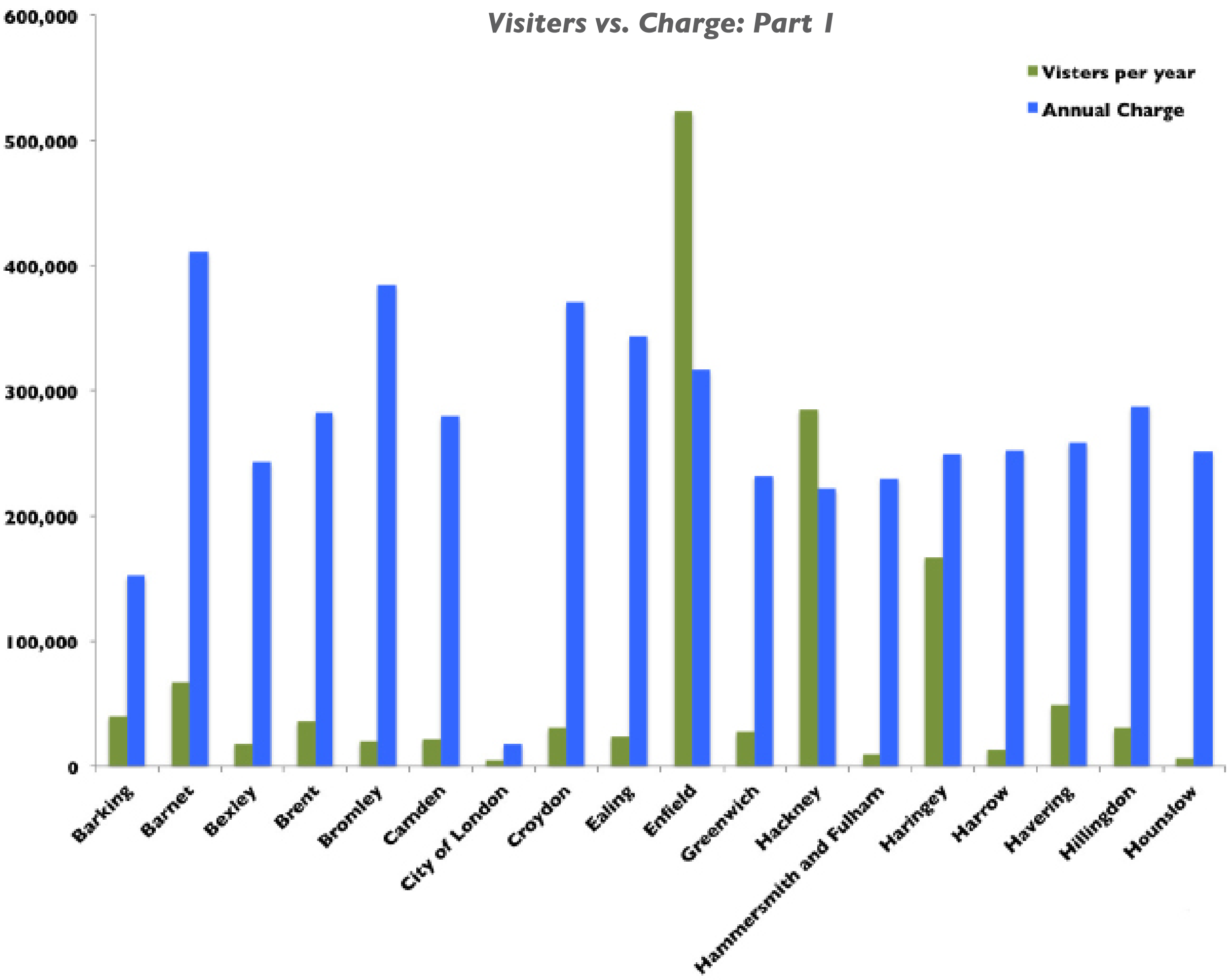
To put this another way, in 2011/12 the average cost per visitor for Waltham Forest was 60p and for Enfield was 62p, whilst Hounslow paid £39.45 and Kensington and Chelsea paid £42.61.[17]

The general trend is that those boroughs that are nearest to the Park have the highest numbers of visitors, whilst those boroughs that are further away have visitor numbers that are extremely low. Many boroughs, especially those towards the south and west of London, feel extremely remote from the Lee Valley Park, and this is highlighted by the comparative lack of interest from their residents in visiting the Park. This is compounded by the financial arrangements as well as their comparatively poor representation on the Authority's board.

Many of these boroughs believe the current arrangements to be highly unfair and strong campaigns have emerged for reform[18]. Some would prefer to make alternative use of the levy money to help fund services and facilities that are closer and more relevant to their residents. For example, a group of south London boroughs would like to use the funding to help establish a new park in the Wandle Valley[19], whilst others in south east London would like to fund major improvements to their local Crystal Palace Park[20]. It is difficult to see why these projects should be denied the opportunities that the Lee Valley Park has enjoyed for the past 45 years.

A much fairer and more equitable approach would be to raise more income directly from those who use the Park and its facilities. For example, the Park could increase its existing charges, introduce new charges or create

13 LVRPA, Annual Performance Report 2011/12, July 2012, page 1. Available at: http://www.leevalleypark.org.uk/en/content/cms/corporate/about-us/meeting-documents/authority-meetings/
14 See Appendix 2 for source.
15 Calculated from figures in Appendix 2.
16 Calculated from figures in Appendix 1.
17 Appendix 2 gives a full borough breakdown of costs per visitor and details of how these were calculated.
18 For example, see: http://www.wimbledonguardian.co.uk/news/9640356.End_unfair_tax_for_north_London_park/
19 Wandle Valley Regional Park website, Lee Valley Park Precept, accessed Oct 2012 http://www.wandlevalleypark.org.uk/?page=content&p=lee_valley_park_precept
20 Bromley Council, In Crystal Palace Park we trust, Oct 2011 http://www.bromley.gov.uk/press/article/362/in_crystal_palace_park_we_trust



annual memberships similar to the National Trust.[21] Based on the 2011/12 figures, an additional £2.56 raised from each visitor would have brought in a greater amount than the total council tax levy in that year, removing the need for the levy[22].

Recommendation 2: The level of income raised directly from the Park's visitors should be increased, so that a greater proportion of the Park's running costs are met by those who use it.

LOCAL PARTNERSHIPS

The Park's guaranteed income stream from the levy provides a lack of incentive for it to seek additional financial support from fundraising or from charitable groups. Whilst some activity does take place with voluntary groups, its relationship with the charitable sector is limited when compared with other regional parks.

Many regional parks have strong and formal partnerships with charities, businesses and other local community groups, which are closely involved in the running of the parks. These include Colne Valley in the west of London[23], Greenheart in Wigan[24], and Valleys Regional Park in Wales[25], and this approach is also reflected in the structure of the emerging Wandle Valley Park in south London[26]. The charity Groundwork, in

21 See http://www.nationaltrust.org.uk/membership/

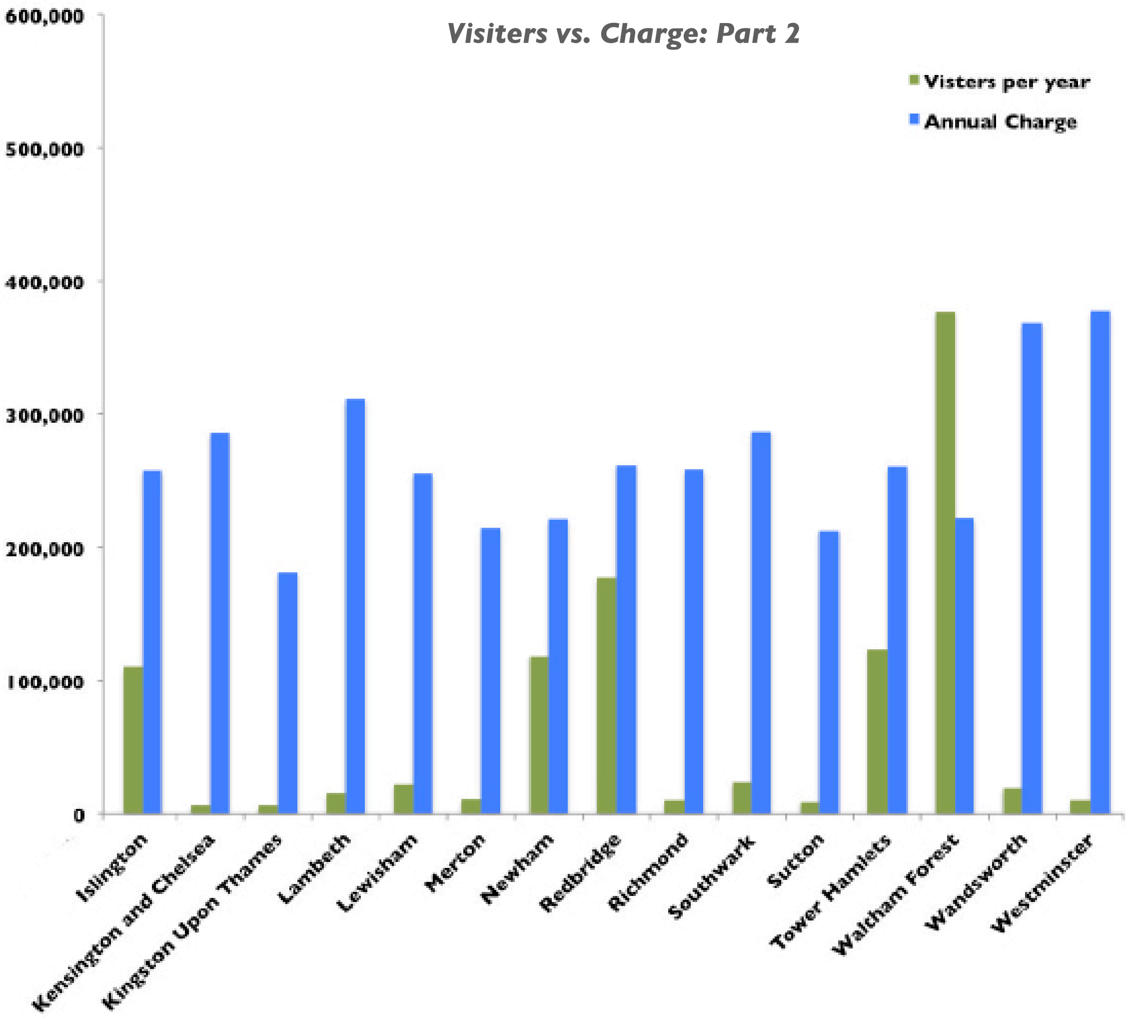
22 £2.56 multiplied by 4.7 million total visitors in 2011/12 equals £12,032,000. Total 2011/12 levy was £11,989,097 as shown in Appendix 1.

23 Colne Valley Regional Park website, About the Colne Valley, accessed Oct 2012 http://www.colnevalleypark.org.uk/aboutcvp.html

24 Greenheart Regional Park website, Partners, accessed Oct 2012 http://www.visitgreenheart.com/about-us/partners

25 Valleys Regional Park website, Valleys Regional Park – The Partnership, accessed Oct 2012 http://www.thevalleys.org.uk/partnership.html

26 Wandle Valley Regional Park website, Wandle Valley Regional Park Trust, accessed Oct 2012 http://www.wandlevalleypark.org.uk/?page=content&p=wandle_valley_regional_park_trust



particular, has a long track record of working with various regional parks[27]. This gives the charitable groups and other partners a stake in the success of the parks, which often benefit from their expertise and financial support for capital projects.

Such an arrangement would be hugely beneficial for the Lee Valley Park, as well as giving an opportunity for interested groups to increase their activities and raise their profiles. The 1966 Act does include provision to appoint new authority members with approval from the relevant Minister, with certain provisions relating to the overall balance of power in the Authority. Whilst this structure may be more restrictive than other regional parks, this could be all the more reason to review the Park's formal arrangements.

27 For example, see http://www.south.groundwork.org.uk/our-projects/more-projects/2012/colne-valley-regional-park-col.aspx

Recommendation 3: The Park Authority should work much more closely with charities, business groups and other community groups, creating partnerships wherever possible and amending its formal structures where necessary. This should include exploring new funding opportunities where appropriate.

ENDING THE LEVY

The Park Authority has itself stated that it intends to review its long term levy policy to "continue to reflect a suitably pragmatic and prudent approach"[28]. We believe that it should go much further than this and bring the compulsory levy to an end, using the above recommendations as a starting point to create a new self-financing financial model. An appropriate deadline should be

28 LVRPA Website, Finance: Overview, accessed Oct 2012

set for this, ideally not longer than five years, during which time the levy should be phased out. The motivation for this could either come from the Authority itself or from the Government.

A permanent ending of the levy would require changes to legislation, primarily to the Lee Valley Regional Park Act 1966, including section 48 which covers the levy powers. Whilst it may in theory be possible, under current legislation, for the Authority to simply decide not to charge a levy, this would not be a preferable long term solution as it would not provide any certainty to local authorities for their future finances.

At the same time, this could be an opportunity to review the other structures of the Authority that are set in legislation, including the board membership. If local authorities are not making a financial contribution they may not all need or wish to continue to be represented on the board. Perhaps only the riparian boroughs would wish to be represented, since they would have a direct interest in the area, and the board could possibly be opened up to charities, businesses and other local groups as discussed in the previous section. The current decision-making structure of the Authority is very similar to that of a local authority, but it may wish to explore different operating models such as establishing a Community Interest Company, similar to the arrangements for the Colne Valley Park [29].

Once the levy is ended, boroughs would of course be free to continue to provide support to the Park on a voluntary basis if they wished, for example through capital grants for specific projects. This is more likely to be attractive to riparian boroughs or those with the highest numbers of visitors.

Some boroughs also wish to continue to subsidise particular groups of residents to use the Park, for example senior citizens, school children or disabled residents. This could be delivered through directly-funded concessionary schemes such as subsidised membership cards, perhaps similar to the Freedom Pass scheme that operates for transport. The key difference from the levy, however, is that this would be voluntary for each local authority and that the costs would be directly related to those who use the Park.

Recommendation 4: The Park Authority should immediately begin work on a new self-financing financial model with the aim of ending the compulsory levy from local authorities within five years, phasing out the levy during that time. Parliament should also legislate to permanently end the levy within the same time period, with or without the co-operation of the Park Authority.

29 Colne Valley Regional Park website, About Colne Valley, accessed Oct 2012

CONCLUSION

In this report we have set out why it is time to end the Lee Valley levy on local authorities and why the current system, after forty-five years, is no longer fit for purpose. It is no longer acceptable that 77% of London's contribution is paid by boroughs with just 22% of London's visitors to the Park[30], whilst there are new parks and other projects elsewhere in London that could make better use of this funding. At the same time, there is potential for the Park to make much better commercial use of its facilities and assets, raise more revenue directly from visitors, and raise more money from local groups through effective partnerships.

In short, this report calls for the Lee Valley Regional Park Authority to become self-financing within five years, for Parliament to amend the 1966 Act accordingly, and for the Lee Valley burden on local taxpayers to come to an end.

SUMMARY OF RECOMMENDATIONS

Recommendation 1: The current lack of profitability in the Park's key facilities should be urgently addressed, so that they can make a full and proper financial contribution towards the running of the Park.

Recommendation 2: The level of income raised directly from the Park's visitors should be increased, so that a greater proportion of the Park's running costs are met by those who use it.

Recommendation 3: The Park Authority should work much more closely with charities, business groups and other community groups, creating partnerships wherever possible and amending its formal structures where necessary. This should include exploring new funding opportunities where appropriate.

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30 Calculated from figures in Appendices 1 and 2

APPENDIX 1: COUNCIL TAX LEVY BY LOCAL AUTHORITY

Authority	**2012/13**	**2011/12**	**2010/11**
Barking & Dagenham	£152,409	£155,869	£158,000
Barnet	£411,054	£412,873	£419,000
Bexley	£242,895	£248,808	£254,000
Brent	£282,493	£287,510	£294,000
Bromley	£384,879	£394,169	£405,000
Camden	£279,485	£285,582	£291,000
City of London	£17,419	£17,857	£18,000
Croydon	£370,774	£378,181	£386,000
Ealing	£343,607	£351,364	£357,000
Enfield	£317,008	£325,830	£335,000
Greenwich	£232,600	£235,330	£239,000
Hackney	£222,072	£224,954	£225,000
Hammersmith & Fulham	£229,923	£235,913	£241,000
Haringey	£249,710	£255,922	£260,000
Harrow	£253,044	£257,639	£264,000
Havering	£258,783	£265,184	£272,000
Hillingdon	£287,770	£293,026	£299,000
Hounslow	£251,783	£256,722	£263,000
Islington	£257,757	£260,064	£263,000
Kensington & Chelsea	£286,229	£294,233	£304,000
Kingston upon Thames	£181,351	£185,818	£189,000
Lambeth	£311,565	£314,730	£316,000
Lewisham	£255,940	£261,597	£267,000
Merton	£214,792	£220,206	£227,000
Newham	£221,148	£223,623	£228,000
Redbridge	£261,742	£268,625	£276,000
Richmond upon Thames	£258,361	£263,975	£271,000
Southwark	£287,183	£292,631	£294,000
Sutton	£212,852	£218,601	£225,000
Tower Hamlets	£260,761	£262,869	£257,000
Waltham Forest	£221,834	£224,309	£230,000
Wandsworth	£368,506	£375,162	£381,000
Westminster	£377,266	£384,111	£395,000
Total London	**£8,764,992**	**£8,933,288**	**£9,103,000**
Hertfordshire	£1,297,949	£1,328,209	£1,360,000
Essex	£1,536,474	£1,574,226	£1,614,000
Thurrock	£149,885	£153,375	£157,000
Total Levy	**£11,749,300**	**£11,989,097**	**£12,234,000**

Source for 2012/13 and 2011/12: LVRPA, *Levy 2012-13*. Available at: http://www.leevalleypark.org.uk/en/content/cms/corporate/business-finance/funding/

Source for 2010/11: LVRPA, *Statement of Final Accounts 2012*, page 74. Available at: http://www.leevalleypark.org.uk/en/content/cms/corporate/business-finance/finance/#final-accounts

APPENDIX 2: AVERAGE ANNUAL VISITORS BY LONDON BOROUGH AND COST PER VISITOR

4 Year Average Usage to 2011/12		Cost per Vistor
London Borough	**Average Visitors per year**	
Barking	40,089	£3.89
Barnet	67,652	£6.10
Bexley	18,045	£13.79
Brent	36,032	£7.98
Bromley	19,979	£19.73
Camden	22,170	£12.88
City of London	5,047	£3.54
Croydon	30,969	£12.21
Ealing	24,075	£14.59
Enfield	523,148	£0.62
Greenwich	27,572	£8.54
Hackney	284,790	£0.79
Hammersmith and Fulham	9,374	£25.17
Haringey	166,544	£1.54
Harrow	13,649	£18.88
Havering	49,129	£5.40
Hillingdon	30,730	£9.54
Hounslow	6,508	£39.45
Islington	110,183	£2.36
Kensington and Chelsea	6,906	£42.61
Kingston Upon Thames	6,425	£28.92
Lambeth	15,483	£20.33
Lewisham	22,082	£11.85
Merton	11,139	£19.77
Newham	118,738	£1.88
Redbridge	177,244	£1.52
Richmond	10,507	£25.12
Southwark	24,441	£11.97
Sutton	9,283	£23.55
Tower Hamlets	123,717	£2.12
Waltham Forest	376,749	£0.60
Wandsworth	18,944	£19.80
Westminster	10,421	£36.86
All London	**2,417,763**	**£3.69**

Source for visitor numbers: LVRPA response to information request, Oct 2012

Cost per visitor calculated from 2011/12 levy figures in Appendix 1

FEEDBACK

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