

Draft Consolidated Budget for 2016-17**Background Statement in support of the Mayor's Draft Consolidated Budget for 2016-17****PART 1****Summary**

This report presents the Mayor's Budget proposals for the Greater London Authority (GLA) and its functional bodies for the next financial year. The Budget is still in draft form and will be changed before being presented to the Assembly on 22 February as the Mayor's final budget.

1 Introduction

- 1.1 The budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act").
- 1.2 The Mayor is required to determine consolidated and component council tax requirements for 2016-17 and it is these that the Assembly has the power to amend. The individual Mayor, Assembly and functional body council tax requirements are aggregated to form the consolidated council tax requirement for the GLA Group. This requirement forms the GLA Group precept which is part of the Council Tax bill for households across Greater London collected by the 33 "billing authorities" (the 32 boroughs and City of London Corporation). The arrangements for "Council Tax referenda", in the event that the GLA Group council tax requirement is deemed to be 'excessive' under Government rules, and the possible impact that would have on the council tax requirement setting process are set out in a separate accompanying document, Part III of this Budget.
- 1.3 The Mayor and the Assembly have a duty to prepare and approve for each financial year a 'component' budget for each of the seven "constituent bodies" within the GLA Group (that is, the Assembly, the Mayor, and each of the five functional bodies¹) and a 'consolidated budget' for the Authority for the Group. A "component budget" is defined as consisting of a statement of the amount of component council tax requirements for the constituent body concerned by applying "statutory calculations" under the relevant section of the GLA Act which give rise to this amount. Also, a "consolidated budget" must consist of statements of the amount of the Authority's consolidated council tax requirement for the Group, being the aggregate of the amount of the component council tax requirements for each constituent body.

¹ These are (1) the London Fire and Emergency Planning Authority (LFEPA), (2) the London Legacy Development Corporation (LLDC), (3) Mayor's Office for Policing and Crime (MOPAC), (4) the Old Oak and Park Royal Development Corporation (OPDC) and (5) Transport for London (TfL).

Draft Consolidated Budget for 2016-17

- 1.4 A summarised version of the budget setting process is as follows:
- (a) The Mayor must prepare for each financial year a budget for each of the seven constituent bodies and a consolidated budget for the GLA Group as a whole (this is the Authority's consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies;
 - (b) Before arriving at the final version of the budget, a draft of the budget for each component body will be the subject of consultation with the relevant body and the Assembly respectively. This stage has been done (see paragraph 3.1);
 - (c) After preparation of those drafts, the Mayor is required to prepare a draft of his proposed consolidated budget for consultation with the Assembly. The Assembly had resolved that the Mayor should consult its Budget and Performance Committee. Such consultation has occurred and the Committee considered that document on 5, 7 and 12 January 2016. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This has also occurred (see paragraph 3.1).
 - (d) The Mayor then determines a "draft consolidated budget" (which contains draft component budgets for the seven bodies) publishes it and presents it to the Assembly at a public meeting. The draft consolidated budget that has been determined for 2016-17 is attached to this statement. The Assembly must approve this budget with or without amendment. Amendments at this stage of the process can be made by a simple majority of Assembly Members voting (ignoring abstentions and absentees). If no amendments are made then the draft consolidated budget is deemed by law to have been approved without amendment.
 - (e) The Mayor will then prepare and publish a final draft of his proposed consolidated budget ("final draft budget") for the next financial year. If the published final draft budget does not incorporate any amendments made by the Assembly at the previous stage, or is otherwise different to the previous draft consolidated budget, the Mayor must lay a written statement before the Assembly giving reasons.
 - (f) The final draft budget must be considered at a public meeting of the Assembly and approved with or without amendment before the last day of February. Any amendment must at this stage be agreed by at least two thirds of the Assembly Members voting. If no amendments are made then the draft consolidated budget is deemed by law to have been approved without amendment. The resulting budget will be the approved consolidated budget for the financial year 2016-17.
- 1.5 Consequently, the Assembly must consider the draft consolidated budget presented for 2016-17 as attached. If no amendments are made, the draft consolidated budget shall be deemed to be approved. A simple majority of votes cast will amend the draft consolidated budget.

Draft Consolidated Budget for 2016-17

- 1.6 It should be noted that at the final budget stage if the Mayor presents a budget, or the Assembly amends the final draft budget, in such a way that it is not in compliance with the Government's "excessiveness principles" applying to the same financial year as the budget, then the Mayor or Assembly (as the case may be) must at the same time also prepare a "substitute budget" in compliance with those principles. Both budgets would be subject to a referendum of Council Tax payers across Greater London.

2 Documentation

- 2.1 Annex A to this statement presents the Mayor's draft consolidated budget for 2016-17 as defined in the GLA Act.
- 2.2 A separate accompanying document (Part II of the Budget) provides an explanation of the budget proposals. This is in the same format as the consultation paper summarising the draft budget and the precept requirement which was published on 21 December 2015. The last appendix to that document lists the changes that have been made to the consultation paper.
- 2.3 Another separate accompanying document (Part III of the Budget) provides financial and legal advice to the Mayor and Assembly, and this includes separate advice on the setting of the Assembly component budget.

3 Consultation Process and Responses

- 3.1 In addition to consulting the Assembly and the constituent functional bodies, in preparing his draft budget the Mayor must consult other bodies and may consult others as appear to him appropriate. The Mayor issued draft component budget proposals to each functional body for consultation and they were invited to respond by 27 November 2015. The budget consultation paper issued on 21 December has been widely circulated to each functional body, London borough councils, the Common Council of the City of London, London Councils and a range of business and representative organisations. It was also placed on the Greater London Authority website, enabling members of the public to make their comments. A summary of the responses and copies of all responses received are being made available to Assembly Members concurrently with this Budget.

4 The Mayor's Approach to Decision Making

- 4.1 The Mayor has a number of statutory functions that must be fulfilled on behalf of Londoners and reflected in a financially balanced budget. These include major responsibilities in respect of policing, transport, fire and emergency planning, economic regeneration, housing, planning, waste, culture and sport, health, sustainable development, energy, climate change, the environment and area regeneration through the Mayoral Development Corporations².

² There are two Mayoral Development Corporations: the London Legacy Development Corporation, and the Old Oak and Park Royal Development Corporation.

Draft Consolidated Budget for 2016-17

- 4.2 The Mayor also has a number of discretionary functions, in particular a general power to do anything to further the principal purposes of the Authority, i.e. promoting economic development and wealth creation, social development and the improvement of the environment in Greater London. In the exercise of his functions the Mayor also has to have due regard to his obligations under the public sector equality duty under the Equality Act 2010, including the need to eliminate discrimination, harassment and victimisation, and to promote equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, sex, disability, age, sexual orientation, religion or belief, gender reassignment, pregnancy or maternity), and those who do not.
- 4.3 To help fulfil these functions and responsibilities, but subject to the information available on future grant settlements, the budget development process is a key element of the planning framework and has an important purpose of ensuring there are sound medium term financial plans within which all Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will inevitably exist. This means ensuring that the estimates of income and expenditure (including appropriate consideration of the effects of inflation), Government funding, retained business rates and council tax are soundly based, with appropriate and sufficient reserves, paying due regard to professional and statutory guidance. This is reinforced by the Local Government Act 2003 which requires the Authority's Chief Finance Officer to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves.
- 4.4 A primary aim of the budget process is to provide a financially balanced budget, as a basis for an efficient and effective use of available resources. The aim is to secure a fair and reasonable balance between the discharge of obligatory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost.
- 4.5 This approach was reflected in the Mayor's guidance for the preparation of budget submissions for 2016-17 and future plans which was issued to the GLA Group in July 2015. It has also been supplemented by additional guidance and through a series of meetings with the functional bodies and GLA officers to ensure the guidance remains valid and responsive to emerging needs and changing circumstances. The functional bodies and the Assembly's Budget and Performance Committee have also played a major role in the preparation and scrutiny of budget proposals.

5 The Local Government, Fire and Police Finance Regime

- 5.1 For 2016-17 the GLA is due to receive some £1.4 billion of business rates income of which around £358.6 million will be paid to the Government as a fixed tariff payment and £9.4m as a levy on growth, with the balance used to fund services across the GLA Group. This regime allows the GLA scope to retain some of the growth in business rates in London. Details of these changes and their impact on the budget calculations are set out at Appendix H of Part II.
- 5.2 Although the introduction of retained business rates allows authorities to share in the growth in their areas, it also leads to increased uncertainty in the setting of the GLA's budget. The Authority awaits returns from billing authorities setting out their localised Council Tax Support schemes, council taxbases and forecasts for collectable business rates in 2016-17 and collection fund surplus or deficit estimates for 2015-16 which will change the final precept calculations.

Draft Consolidated Budget for 2016-17

- 5.3 The GLA is now more vulnerable to volatility in business rates revenues (including the Crossrail BRS) as a result of the new regime. For business rates retention the Authority has to meet the first £74 million of any loss of income relative to its baseline funding position before additional protection is provided by central government through the safety net – this equates to 7.5 per cent of the notional uprated baseline funding for the GLA in respect of retained rates as set out in the 2016-17 provisional local government finance settlement. The Mayor's Resilience Reserve provides provision to help manage these risks and the position will be monitored closely. The Mayor's Resilience Reserve must be maintained at a sufficiently high level to manage these needs.
- 5.4 The provisional 2016-17 Local Government Finance and Fire Settlement was published on 17 December and is subject to a four week consultation process which ended on 15 January. The settlement confirmed the provisional allocations of revenue support grant for English local and fire authorities for 2016-17 with indicative allocations for the next three years 2017-18, 2018-19 and 2019-20. To qualify for these future years' figures the GLA will need to set out its efficiency plans.
- 5.5 The GLA Group's provisional revenue support grant for 2016-17 is £168.1 million which is £5.6 million lower in cash terms than the corresponding figure for 2015-16 of £173.7 million. However this figure includes the 2015-16 council tax freeze grant of £9.5 million which has been added into revenue support grant from 2016-17 and therefore the like for like reduction in grant is £15.1 million or 8 per cent. Of the total revenue support grant allocation £128.5 million has been allocated to LFEPA, £2.5 million to the Assembly, £10.0 million to the GLA and £27.1 million to MOPAC.
- 5.6 On 17 December the Home Office confirmed the general grant allocations for 2016-17 for Police and Crime Commissioners in England, for the Mayor's Office for Policing and Crime and the City of London Police. This included the police formula grant and general police grant allocations along with council tax support funding for local policing bodies and for MOPAC and the City of London police their National and International Capital City (NICC) allocations.
- 5.7 MOPAC has been allocated general police grant of £1,904.6 million in 2016-17 comprising £861.5 million of core grant, £749.8 million of former CLG formula grant, £119.7 million in council tax benefit legacy grant and £173.6 million in NICC funding. In addition as set out above, the Mayor has allocated £27.1 million of revenue support grant to MOPAC in respect of council tax freeze grant funding rolled into the baseline.
- 5.8 In the Spending Review the Department for Transport confirmed TfL's general (operating) grant for 2016-17 to 2018-19 alongside a longer term commitment to 2020-21 in respect of the investment grant element of its funding. This budget assumes that £435.7 million of general (operating) GLA Transport grant will be received for the purposes of TfL in 2016-17. This is £240 million lower than the comparable grant for 2015-16.

Consolidated Council Tax Requirement

- 5.9 On 21 December 2015 the Mayor issued his Budget Consultation Document for 2016-17. More detail is contained in the accompanying explanatory document (Part II of the budget) and in the reports relating to draft budget and business plan proposals considered by the functional bodies and the Assembly's Budget and Performance Committee during the course of the year.

Draft Consolidated Budget for 2016-17

- 5.10 The Mayor's proposed consolidated council tax requirement has not changed from the Budget Consultation Document. The Mayor is therefore proposing a reduction in the Band D Council Tax of 6.4 per cent from £295.00 to £276.00 in 2016-17.
- 5.11 Once final returns are made at the end of January by the 33 billing authorities in London in respect of their retained business rates forecasts and council tax bases for 2016-17 and collection fund surpluses and deficit for 2015-16, there will be changes to the precept calculations. These will be reflected in the Mayor's final draft budget for 2016-17.
- 5.12 The Mayor's financial planning guidelines in his budget guidance reflected the nature and specific circumstances of each member of the GLA Group. Changes in the component amounts for each functional body are not uniform, reflecting their different funding settlements from Government and the new financial regime introduced in 2013-14. The Mayor has decided to continue to passport notional shares of retained business rates to functional bodies (LFEPA and TfL) and the GLA (Assembly) for 2016-17.
- 5.13 The Mayor's 2016-17 budget proposes significant efficiencies and savings across the Group arising from the changes in Government funding. However, the Budget also allows significant capital investment in London's housing and transport infrastructure and to deliver the Olympic Legacy.

Mayor of London

- 5.14 Except for activities prescribed by the GLA Act as falling within the component budget for the Assembly, the budget for the Mayor of London covers all of the GLA's activities.
- 5.15 The GLA is required to determine a separate council tax requirement for each of the Mayor and the Assembly. This means that the GLA's grant funding and retained business rates must be apportioned between the Mayor and Assembly. The combined council tax requirement for the GLA for 2016-17 is £51.4 million, comprising £48.8 million for the Mayor - £43.2 million excluding the forecast collection fund surplus for 2015-16 - and £2.6 million for the Assembly. The methodology used to calculate this is set out in Part II of the Budget. Set out below are the main elements of the GLA (Mayor's) budget for 2016-17.
- 5.16 In May 2015 the GLA published a refreshed business plan covering the period from 2015-16 to 2016-17, and the proposed budget reflects this continuity, albeit against a background of uncertainties and a desire not to unnecessarily constrain a new Mayor, who will set his or her own priorities following the Mayoral Election in May 2016 and require the resources to implement them. Indeed for all new investments and programmes currently being approved and commissioned, officers are ensuring that appropriate break clauses are put in place in order not to fetter the powers of the future Mayor.
- 5.17 The overarching theme of the budget is ensuring that every penny of taxpayers' money delivers value for money. The GLA's two key priorities, which are reflected in the Mayor's budget are to:
- First secure jobs and growth for the capital, ensuring that wherever possible the GLA programmes and initiatives help create or support jobs and strengthen London's economy across all boroughs; and

Draft Consolidated Budget for 2016-17

- Secondly increasing the supply of housing for Londoners: finding every way possible for hard-working Londoners to access high quality affordable housing.

5.18 The budget will support the Mayor's ambitions in:

- Strengthening local economies through the Mayor's regeneration funds and a focus on London's high streets;
- Giving talented young Londoners the opportunity to contribute to London's success by supporting and creating apprenticeship opportunities;
- Using the GLA's planning powers and significant land holdings to stimulate regeneration and create jobs and homes;
- Increasing the supply of affordable homes and identify new and better approaches to increasing housing supply such as the creation of Housing Zones;
- Tackling rough sleeping, with the aim that no-one spends a second night out nor lives on the streets;
- Driving up standards in London's schools, boosting attainment and giving every child the platform they need to succeed;
- Retrofitting, to increase the environmental efficiency of more of London's homes and public sector workplaces, saving carbon and cutting bills;
- Launching Licence Lite – the granting of a junior electricity supply licence by OFGEM to enable the GLA to become an operational licenced energy supplier to stimulate the development of energy generation schemes in London;
- Working with stakeholders to deliver more local energy generation projects for a lower cost, more secure and lower carbon energy supply for London;
- Working to make London greener and cleaner, and continuing to improve London's air quality through developing plans for the Ultra-Low Emission Zone and through the Mayor's Air Quality Fund;
- Building on the London 2012 sporting legacy further by continuing to attract major international sports events to London and further boost sport at the grassroots level;
- Helping and encouraging Londoners to volunteer and do something great for their city;
- Enhancing London's cultural capital and delivering a diverse programme of events to create economic value, excite and put London in the world's spotlight;
- Presenting London's case to Government and internationally as the world's destination for investment, tourism and talent.

5.19 The London Enterprise Panel (LEP) is the body through which the Mayor works to take a strategic view of the regeneration, housing, skills and other social or environmental investments required.

5.20 This budget includes the continued delivery of new Regeneration programmes totalling around £418 million launched over my administration . These programmes have included current and future expenditure on Further Education of £158 million, the Growing Places Fund of £111 million, the Mayor's Regeneration Fund of £70 million and the Outer London Fund of £50 million.

Draft Consolidated Budget for 2016-17

- 5.21 The £20m London Regeneration Fund will breathe new life into London's high streets and places of work. The aim is to make the most of the city's wealth of talent in creativity and technology. Currently going through competitive bidding, the London Regeneration Fund will give local authorities, traders' associations, workspace providers, and community groups the chance to implement exciting proposals that will help new and traditional places of work thrive in a rapidly changing city
- 5.22 The LEP (to which the Government has given strategic responsibilities in respect of European Union funds) has also been awarded 745 million euros to invest in boosting jobs and growth in London. The new 2014-20 EU programmes were launched last year.
- 5.23 The GLA's Capital Programme confirms that the Mayor is on track to complete his key affordable housing pledge of 100,000 affordable homes across two Mayoral terms, with almost 97,000 completed to the end of December 2015. The Budget supports innovative approaches to unlocking and accelerating housing supply, including the designation of twenty Housing Zones which will see 53,000 homes built and unlock £21.6 billion of investment. Due to the success of the current programme the Mayor has announced his intention to create a further 10 Housing Zones. Management of the GLA's 635 hectare estate and the acceleration of the development and release of assets for housing and economic growth also support delivery of housing across London. Although allocations against the London Housing Bank programme are presently below budget, there is growing interest in this programme.
- 5.24 In the light of the national commitment to create three million apprenticeships by 2020, the GLA's budget continues to prioritise this area. However, huge changes are expected in the Apprenticeship levy, which will raise £2.5 billion to be spent on apprenticeships in England, and the Skills Funding Agency, as the main funder of apprenticeships to date, is expected to undergo extensive changes. Against this context, the GLA is looking into the most effective way to encourage opportunities in London.
- 5.25 The budget supports a number of new ESF supported programmes. Stepping Stones will help pupils at risk to make a successful transition to secondary school, improving attendance, behaviour and educational achievements. The Youth Innovation Fund will pilot projects to support NEET (Not in Employment, Education or Training) young people into sustained education and employment.
- 5.26 The Mayor's Education Inquiry showed that improving the quality of teaching is the best way to improve children's attainment at school and can help narrow the gap in learning outcomes. In 2016-17, the budget will continue to support the delivery of excellent teaching in all London schools by investing in teaching skills and subject knowledge, in turn improving outcomes from pupils.
- 5.27 The investment in the capital's creative industries – through the funding of Film London, the London Design Festival and the London Fashion Week, amongst others – continues to bring in substantial investment, and jobs, to the city.
- 5.28 The 2016-17 Budget continues to support the Mayor's environmental policies. Between 2008 and 2013 London's carbon emissions have decreased by 14 per cent. After allowing for London's population increase, per capita emissions have decreased by 20 per cent. Through the RE:LEAF partnership the Mayor has supported the planting of over 400,000 trees across the capital since 2011.

Draft Consolidated Budget for 2016-17

- 5.29 The biggest single component of the GLA's Budget is the financing costs of its £4.1 billion contribution to the costs of Crossrail 1. These costs at £115.3 million in 2016-17 are fully met by the Business Rate Supplement the Mayor levies on larger business premises across London.
- 5.30 Although the 2016-17 Budget reflects the reduction in the payment required to the Department of Culture and Sport (DCMS) for the Olympic and Paralympic Games, it maintains the GLA's contributions to London and Partners and the Museum of London. The GLA's Budget also includes provision to support the LLDC and OPDC which are described in more detail in separate sections below.
- 5.31 In summary, the GLA's investment proposals represent the current estimate of continuing approved policies and programmes. This reflects the objective to not unnecessarily constrain a new Mayor. Notwithstanding the potential usage of the balance of the 'Olympic precept', from 2017-19 approximately £11.5 million of unallocated revenue funding becomes available to a new Mayor in each year.

London Assembly

- 5.32 The component budget for the Assembly reflects its current staffing establishment, approved levels of Member and group support and approved policies. It includes efficiencies of £0.1 million in 2016-17. The Assembly's net expenditure is £7.2 million in 2016-17. The Assembly's council tax requirement – net of its apportioned share of the provisional revenue support grant and retained business rates – is £2.6 million.

Mayor's Office for Policing and Crime (MOPAC)

- 5.33 The component budget for Mayor's Office for Policing and Crime includes the functions of the Metropolitan Police Service (MPS). The Mayor's Police and Crime Plan sets out the Mayor's strategy for tackling crime and making London safer over a four year period (2013-2016). The Plan includes the 20-20-20 Challenge to cut seven priority high impact, high volume, neighbourhood crimes by 20 per cent, boost public confidence in the MPS by 20 per cent - to help the police improve their connection with Londoners - while making 20 per cent savings in the MPS.
- 5.34 MOPAC remain on target to meet the 20 per cent reduction in neighbourhood crime by the end of the Crime Plan period. Public confidence and overall satisfaction in the service has increased. Costs have been cut by over 20 per cent whilst maintaining the Mayor's target strength of 32,000 officers.
- 5.35 MOPAC's Reduce, Release, Reform programme is enabling the transformation of the MPS into a truly 21st Century crime-fighting force and has:
- Increased the percentage of officers on frontline from 42.3 per cent in March 2013 to 54.1 per cent in September 2015;
 - Put 2,600 additional officers into neighbourhoods;
 - Launched the largest rollout of body-worn video technology in any city in the world, with 22,000 cameras rolling out to MPS officers;
 - Made the Met today more diverse than at any other time in its history;

Draft Consolidated Budget for 2016-17

- Invested in specialist police teams, such as FALCON, a team of 300 officers dedicated to tackling online crime;
- Reformed the back office, including a £216 million deal to outsource support services, relocating this service outside London to reduce administrative costs and maximise value for public money, saving an average £10 million per annum;
- Released old and underused police stations – the infrastructure of the past – and using the £1 billion of proceeds to invest in a 21st century police estate and digital policing; and
- Increased victim satisfaction with the ease of contacting the MPS to a record high of 94 per cent.

- 5.36 The Mayor is increasing MOPAC's 2016-17 revenue budget by some £46 million or by just over 1 per cent. This increase in resources reflects the Spending Review announcement by the Government but the increase in resources to MOPAC is achieved without the Mayor increasing MOPAC's precept. This Budget allows MOPAC to continue to invest in transformation across the MPS whilst prioritising investment in the front line, including the commitment for one PC and one PCSO in each ward.
- 5.37 However, there is still much work to be done in reforming the MPS. MOPAC is still estimating that savings of some £35 million are required to be made in 2017-18 and £67 million in 2018-19. There are still back office areas that can deliver savings and these will be carried out to further drive transformation. MOPAC have embarked on an ambitious programme of reform and this will help deal with the continuing pressures on costs.
- 5.38 By continuing to streamline and reform the MPS, the Mayor's Budget allows the maintenance of neighbourhood teams, officer numbers to be kept high, the fight against terrorism to be sustained, crime to be reduced and London to be kept safe.

London Fire and Emergency Planning Authority (LFEPA)

- 5.39 LFEPA's key priorities are set out in the Fifth London Safety Plan (LSP5). It outlines a wide range of policies and measures which are intended to improve the safety of Londoners. Among other things, it includes plans to reduce fires amongst vulnerable groups, such as those living in sheltered housing; to lobby for the wider use of sprinklers; to introduce charges for repeat false fire alarm call outs; and to continue to carry out thousands of home fire safety visits each year.
- 5.40 Targets that will remain constant throughout the life of the plan are for London Fire Brigade to always get to an emergency incident as quickly as possible on each and every occasion; to get the first fire engine to an incident within an average of six minutes; to get the second fire engine to an incident within an average of eight minutes and to get a fire engine anywhere in London within 12 minutes on 95 per cent of occasions. The first and second response targets are amongst the fastest target response times of any emergency service in the country and almost twice as fast as some other fire brigades.

Draft Consolidated Budget for 2016-17

- 5.41 With the implementation of LSP5, the Mayor has committed to provide funding to LFEPA to avoid the need for any further major frontline realignment over the lifetime of LSP5 from 2013-17. However, despite this support LFEPA has had to make additional savings and efficiencies in 2016-17 of £5.1 million with a further £6.4 million needing to be proposed to balance its budget in 2016-17. Two options to close this gap are currently out for Consultation. Further, on the basis of assumptions made by the Mayor in this Budget, additional savings and efficiencies are estimated to be required to be made of £17.6 million by 2017-18 and £25.1 million by 2018-19. The Mayor's draft consolidated budget reflects the additional £2.8 million of funding LFEPA has identified in 2016-17 since the Mayor's Budget Consultation Document was issued. An update will be provided in the Mayor's final draft budget in February.
- 5.42 LFEPA unanimously agreed to defer detailed consideration of LSP6 on the basis that the work would be better undertaken after a new Mayor is in place and it would allow the new Commissioner to have an input. In the light of the overall level of resources a new Mayor might make available to LFEPA, LSP6 provides an opportunity to look at the way the service might be re-configured.

Transport for London (TfL)

- 5.43 As the Capital's population and economy continue to grow, there has never been more pressure on London's transport network. However, due to the continuing investment in our transport infrastructure, we now have the most reliable metro system in Europe, the most accessible bus fleet in the world, safer road layouts and an orbital rail system, with London Overground integrated with the rest of the network.
- 5.44 The key deliverables over the next decade include:
- Investing £200 million in bus priority schemes; £913 million in cycling; and £4 billion in roads;
 - Making 95 per cent of all bus stops in London accessible by 2017;
 - Delivering 800 New Routemaster buses by 2016;
 - Reducing the number of people killed or seriously injured on London's roads by 40 per cent by 2020;
 - Introducing a new 24-hour Tube service at weekends in 2016; and
 - Continuing to deliver Crossrail, which will transform rail capacity and journey times and deliver the Northern Line Extension.
- 5.45 TfL exists to keep London working and growing and make life in London better. Transport is a key driver of economic growth, jobs, new housing and development. The Mayor believes it is right that TfL's budget should be used to unlock jobs and homes, and meeting the needs of a growing world city.

Draft Consolidated Budget for 2016-17

- 5.46 The Government has recognised the importance of transport in London, not least by maintaining funding for TfL's long term capital investment programme and continued commitment to delivering Crossrail 2. Overall London's settlement sought to strike a balance across various demands for funding all of which relate to considerable strategic challenges and are vitally important to Londoners. In light of these pressures, TfL continues to seek out savings and increase income from other sources. The Mayor has continually challenged TfL to become more efficient and by 2019 London will be the only major European city transport network not to require an operational subsidy.
- 5.47 Alongside all these improvements, the Mayor has continued to bear down on fares. Fares in 2016 will on average rise by inflation, rather than TfL's long-term assumption of RPI plus one per cent. The Mayor will continue to offer much needed concessions to those who most need them. Hundreds of thousands of families across London are set to benefit from making all National Rail services in London free for Zip photocard holders who are under 11 years old.
- 5.48 Nevertheless, the Spending Review presents an immediate challenge to TfL's operations, with overall resources available reducing by some £2.8 billion over the five year period to 2020-21. Some of this will be mitigated through additional savings and efficiencies. But, TfL recognise that a new approach is needed to successfully meet these challenges.
- 5.49 In view of the scale of the Spending Review reductions, TfL are currently reviewing their spending plans and will publish a revised Business Plan incorporating the impact of their Settlement in March 2016.

London Legacy Development Corporation (LLDC)

- 5.50 The London Legacy Development Corporation is driving the legacy of the London Olympic and Paralympic Games to transform the lives of east Londoners. Queen Elizabeth Olympic Park is at the heart of a dynamic new east London where this once in a lifetime opportunity is creating opportunities for local people and driving innovation and growth across the city and the UK. It will also be home to more than 10,000 new households by 2030.
- 5.51 The Mayor's 2016-17 component budget for the LLDC provides the funding to progress the development of Olympicopolis, a world class new cultural, scientific and educational quarter in Queen Elizabeth Olympic Park that will bring together outstanding organisations to showcase arts, dance, history, craft, science, technology and cutting edge design. The Government has pledged £152 million to the project with further income coming from partner institutions, the GLA, LLDC and philanthropic donations.
- 5.52 Olympicopolis is expected to deliver 3,000 new jobs, 1.5 million additional visitors and £2.8 billion of economic value to Stratford and the surrounding area. UCL East will be the site of a new university campus for University College London (UCL), while Stratford Waterfront features a new campus for the UAL's London College of Fashion, along with major new spaces for the Victoria and Albert Museum and Sadler's Wells.
- 5.53 The Mayor's Budget for 2016-17 will enable the successful operation of the Park and its venues and enable the hosting of major sporting events, including UCI Track Cycling, European Aquatics Championships, World Track Cycling Championships, Women's Champions Hockey Trophy, Sport Relief and Diamond League athletics.

Draft Consolidated Budget for 2016-17

- 5.54 The Mayor's Budget ensures that LLDC is provided with sufficient funds for its capital expenditure requirements in advance of the capital receipts that will be generated from its activities. LLDC is estimated to require an ongoing capital subsidy up to 2020-21 at which point it is expected to start generating a surplus.

Old Oak and Park Royal Development Corporation (OPDC)

- 5.55 A new Mayoral Development Corporation (MDC) for the Old Oak Common and Park Royal area came into operation on 1 April 2015. The new High Speed 2 (HS2), Crossrail and Great West Mainline stations at Old Oak Common will provide the impetus for a once in a lifetime regeneration opportunity in that part of West London. The OPDC, using its planning and regeneration powers, will ensure that all these benefits are captured and maximised to deliver much needed jobs and homes in London. As the OPDC is a functional body of the GLA under the GLA Act it is required to have its own approved component budget and council tax requirement (if any).
- 5.56 The Mayor's Budget provides funding to meet the existing running costs of OPDC in 2016-17 and future years. Given the early stage of the Corporation's existence and the embryonic and ongoing discussions with government regarding the Old Oak and Park Royal growth strategy there remains a degree of uncertainty about the level of support that will be required for OPDC in 2016-17 and in future years.

Future Years

- 5.57 The Mayor has issued further details of the prospects for the GLA Group for future years (Appendices H and I of Part II the budget). It is important to recognise the caveats and limitations set out in this analysis.

6 The Impact on Local Taxpayers

- 6.1 In deciding on the proposed spending plans across the GLA group of £16.2 billion gross the key priorities have been to invest in London's infrastructure whilst reducing the level of the GLA Group's Council Tax precept. By April 2016, the precept will have fallen in real terms by some 28 per cent since May 2008.
- 6.2 The sustained investment in capital expenditure overall across the Group allowing for the progress of the Crossrail project whilst reducing the precept, has been largely achieved by the Mayor securing a favourable London Settlement and making identified incremental savings and efficiencies of over £299.3 million in 2016-17, with £246.4 million of additional savings to be identified.
- 6.3 Subject to certain key financial information being confirmed, the Mayor's budget requires a Band D Council Tax of £276.00 for 2016-17 in the London boroughs, including £69.21 in the area of the Common Council of the City of London. These Band D amounts are provisionally estimated to generate £756.5 million in council tax revenues although this sum will change once the council tax bases and collection fund surpluses for 2016-17 and 2015-16 respectively are confirmed by billing authorities at the end of January 2016.

Draft Consolidated Budget for 2016-17

Capital Spending

6.4 The Mayor published his Draft Capital Spending Plan for consultation on 21 December 2015, as part of the Budget Consultation Document (Section 9). Proposed capital spending across the GLA Group totals £4.8 billion, the largest elements relating to housing and transport investment by the GLA and TfL. The estimated capital financing cost of the total Capital Programme is £688.8 million in 2016-17 of which £648.2 million relates to interest payments on borrowing across the group. Details are set out in section 9 and the relevant Appendices of Part II to the draft budget. The proposed programme of capital spending is reflected fully in these budget proposals.

Council Tax Referendums

6.5 Under chapter 4ZA of the Local Government Finance Act 1992, (replacing the previous “council tax capping” regime) there is provision for the holding of referendums by billing authorities if either of the two calculations of the GLA’s relevant basic amount of council tax (for the City of London and for elsewhere in Greater London) is “excessive” under principles proposed by the Secretary of State and approved by the House of Commons for the forthcoming financial year.

- The excessiveness principles for 2016-17 are likely to be approved by the House of Commons in early February 2016. The Secretary of State has announced that a council tax increase (which includes a precept increase) will be excessive in 2016-17 if it is 2 per cent or more. The GLA is under a duty to determine whether either of its two “relevant basic amounts of council tax” is excessive with regard to those approved principles;
- The excessiveness principles refer, in the context of the GLA, to the two relevant basic amounts of council tax (based on Band D) and these must be determined as part of the budget calculations: (1) the “adjusted” relevant basic amount of council tax which applies throughout Greater London outside the City of London (i.e. in the 32 London boroughs), and reflects that area’s funding of the Metropolitan Police Service through MOPAC; and (2) the “unadjusted” relevant basic amount of council tax which applies within the area of the City of London only, and reflects the fact that local council taxpayers in the City do not fund MOPAC (as the City of London Police provides local policing services there using funding provided by the City Corporation including from its local council tax).
- If either or both figures do not comply with the excessiveness principles, then the component and consolidated budgets, and council tax requirements that give rise to them, are considered “excessive”, with the consequences set out below.
- If the final draft budget does not comply with these “excessiveness principles” then the Mayor must also prepare and present a “substitute final draft budget” alongside the (excessive) final draft budget prepared and presented to the Assembly.
- In the event that the final draft budget is approved (with or without amendment) in a form where it is “excessive” then the Assembly must also approve the (non-excessive) substitute final draft budget.

Draft Consolidated Budget for 2016-17

- Both budgets are then submitted to a referendum of local government electors across the whole of Greater London irrespective of which of the two relevant basic amount of council tax calculations is excessive.
- Such a referendum is normally to be held on the first Thursday in May, and from the point when the GLA precept is issued to the result of the referendum, billing authorities across Greater London (the boroughs) are not permitted to pay any precept to the GLA. Any referendum on an excessive council tax increase for the GLA in respect of its 2016-17 budget would take place therefore on the same day as the GLA Elections scheduled for Thursday 5th May.

7 Conclusions

- 7.1 In considering the Mayor's budget proposals and any amendments they wish to make at this stage, Assembly Members must also consider the need to secure a financially balanced budget and achieve a balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost.
- 7.2 In commending the budget proposals to the Assembly the Mayor believes that Londoners recognise and support his plans to reduce the GLA Group's share of the council tax for the fifth year running while continuing to maintain and invest in public services in London.
- 7.3 The Mayor is satisfied that he has weighed respective interests fairly and that his reduction in the Council Tax will not adversely affect the front line service delivery of his statutory and discretionary responsibilities. The Mayor believes that the proposals will make a significant contribution to improving Londoners' quality of life and supporting London's economy.

8 Recommendations

- 8.1 On the basis of the information set out in this statement and accompanying documents, that the Assembly approves, without amendment, the Mayor's draft consolidated budget and the GLA Group council tax requirement for the GLA and the functional bodies of **£756,528,956** as contained in **Annex A**.
- 8.2 The council tax requirement is after applying the GLA's share of the net surplus or deficit on the collection funds of the 33 billing authorities (assumed at this stage to be a £5.6 million surplus in respect of council tax and a £72.5 million deficit in respect of retained business rates) which falls within the component budget for the Mayor of London for the purpose of these statutory calculations under sections 85 to 88 of the GLA Act. The Gross expenditure figures reported in part 2 of the draft budget for the GLA (Mayor and Assembly) and each functional body exclude estimated reserves to be raised for meeting future expenditure under s85(4)(c) of the GLA Act as by definition the entries in these lines do not represent revenue expenditure to be incurred in 2016-17.

Draft Consolidated Budget for 2016-17

8.2 This draft consolidated council tax requirement is made up as follows:

<i>Constituent body</i>	<i>Component council tax requirement</i>
Mayor of London	£43,181,647
London Assembly	£2,615,000
Mayor's Office for Policing and Crime	£566,494,309
London Fire and Emergency Planning Authority	£138,238,000
Transport for London	£6,000,000
London Legacy Development Corporation	£NIL
Old Oak and Park Royal Development Corporation	£NIL
Total Consolidated Council Tax Requirement	£756,528,956

Boris Johnson

Mayor of London

Draft component and consolidated council tax requirements 2016-17

Greater London Authority: Mayor of London ("Mayor") draft component budget

Line	Sum	Description
1	£619,260,000	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
2	£2,800,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
3	£0	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
4	£72,493,489	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act reflecting the collection fund deficit for retained business rates
5	£694,553,489	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Mayor (lines (1) + (2) + (3) + (4) above)
6	-£506,225,613	estimate of the Mayor's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
7	-£4,600,000	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
8	-£9,961,097	estimate of the Mayor's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
9	-£95,845,132	estimate of the Mayor's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
10	-£5,600,000	estimate of the Mayor's share of any net collection fund surplus for the 33 London billing authorities for council tax calculated in accordance with s85(5)(a) of the GLA Act
11	-£622,231,842	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (6) + (7) + (8) + (9) + (10))
12	-£29,140,000	estimate of Mayor's reserves to be used in meeting amounts in line 5 above under s85(5)(b) of the GLA Act
13	-£651,371,842	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Mayor (lines (11) + (12) above)
14	£43,181,647	the component council tax requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (13) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the Mayor for 2016-17 is £43,181,647

Draft Consolidated Budget for 2016-17

Greater London Authority: London Assembly ("Assembly") draft component budget

Line	Sum	Description
15	£7,646,000	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the GLA Act
16	£0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the GLA Act
17	£0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the GLA Act
18	£0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the GLA Act
19	£7,646,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Assembly (lines (15) + (16) + (17) + (18) above)
20	-£400,000	estimate of the Assembly's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
21	£0	estimate of the Assembly's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
22	-£2,531,000	estimate of the Assembly's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
23	-£2,100,000	estimate of the Assembly's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
24		estimate of the Assembly's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
25	-£5,031,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (line (20) + (21) + (22) + (23)+ (24))
26	£0	estimate of Assembly's reserves to be used in meeting amounts in lines 19 above under s85(5)(b) of the GLA Act
27	-£5,031,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Assembly (lines (25) + (26) above)
28	£2,615,000	the component council tax requirement for the Assembly (being the amount by which the aggregate at (19) above exceeds the aggregate at (27) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the Assembly for 2016-17 is £2,615,000.

Draft Consolidated Budget for 2016-17

Mayor's Office for Policing and Crime ("MOPAC") draft component budget

Line	Sum	Description
29	£3,252,790,309	estimated expenditure of the MOPAC calculated in accordance with s85(4)(a) of the GLA Act
30	£0	estimated allowance for contingencies for the MOPAC under s85(4)(b) of the GLA Act
31	£0	estimated reserves to be raised for meeting future expenditure of the MOPAC under s85(4)(c) of the GLA Act
32	£0	estimate of reserves to meet a revenue account deficit of the MOPAC under s85(4)(d) of the GLA Act
33	£3,252,790,309	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the MOPAC (lines (29) + (30) +(31) + (32) above)
34	-£257,660,000	estimate of the MOPAC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
35	-£374,636,000	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
36	-£1,931,700,000	estimate of the MOPAC's income in respect of general government grants (revenue support grant, core Home Office police grant and principal police formula grant) calculated in accordance with s85(5)(a) of the GLA Act
37	£0	estimate of the MOPAC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
38	£0	estimate of MOPAC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
39	-£2,563,996,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (34) + (35) + (36) + (37) +(38))
40	-£122,300,000	estimate of MOPAC's reserves to be used in meeting amounts in line 33 above under s85(5)(b) of the GLA Act
41	-£2,686,296,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the MOPAC (lines (39) + (40) above)
42	£566,494,309	the component council tax requirement for MOPAC (being the amount by which the aggregate at (33) above exceeds the aggregate at (41) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the MOPAC for 2016-17 is £566,494,309.

Draft Consolidated Budget for 2016-17

London Fire and Emergency Planning Authority ("LFEPA") draft component budget

Line	Sum	Description
43	£425,160,000	estimated expenditure of LFEPA for the year calculated in accordance with s85(4)(a) of the GLA Act
44	£0	estimated allowance for contingencies for LFEPA under s85(4)(b) of the GLA Act
45	£2,800,000	estimated reserves to be raised for meeting future expenditure of LFEPA under s85(4)(c) of the GLA Act
46	£0	estimate of reserves to meet a revenue account deficit of LFEPA under s85(4)(d) of the GLA Act
47	£427,960,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LFEPA (lines (43) + (44) + (45) + (46) above)
48	-£32,600,000	estimate of LFEPA's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
49	-£12,800,000	estimate of LFEPA's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
50	-£128,530,000	estimate of LFEPA's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
51	-£115,659,936	estimate of LFEPA's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
52	£0	estimate of LFEPA's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
53	-£289,589,936	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (48) + (49) + (50) + (51) + (52))
54	-£132,064	estimate of LFEPA's reserves to be used in meeting amounts in line 47 above under s85(5)(b) of the GLA Act
55	-£289,722,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFEPA (lines (53) + (54) above)
56	£138,238,000	the component council tax requirement for LFEPA (being the amount by which the aggregate at (47) above exceeds the aggregate at (55) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for LFEPA for 2016-17 is £138,238,000.

Draft Consolidated Budget for 2016-17

Transport for London ("TfL") draft component budget

Line	Sum	Description
57	£6,964,208,000	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the GLA Act
58	£0	estimated allowance for contingencies for TfL under s85(4)(b) of the GLA Act
59	£75,845,000	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the GLA Act
60	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the GLA Act
61	£7,040,053,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the TfL (lines (57) + (58) + (59) + (60) above)
62	-£5,713,954,856	estimate of TfL's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
63	-£30,100,000	estimate of TfL's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
64	-£435,700,000	estimate of TfL's income in respect of general government grants (revenue support grant and GLA Transport General Grant) calculated in accordance with s85(5)(a) of the GLA Act
65	-£854,298,144	estimate of TfL's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
66	£0	estimate of TfL's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
67	-£7,034,053,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act for TfL (lines (62) + (63) + (64) + (65) + (66) above)
68	£0	estimate of TfL's reserves to be used in meeting amounts in line 61 above under s85(5) (b) of the GLA Act
69	-£7,034,053,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act (lines (67) + (68))
70	£6,000,000	the component council tax requirement for TfL (being the amount by which the aggregate at (61) above exceeds the aggregate at (69) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for TfL for 2016-17 is £6,000,000.

Draft Consolidated Budget for 2016-17

London Legacy Development Corporation ("LLDC") draft component budget

Line	Sum	Description
71	£40,050,000	estimated expenditure of LLDC for the year calculated in accordance with s85(4)(a) of the GLA Act
72	£750,000	estimated allowance for contingencies for LLDC under s85(4)(b) of the GLA Act
73	£0	estimated reserves to be raised for meeting future expenditure of LLDC under s85(4)(c) of the GLA Act
74	£0	estimate of reserves to meet a revenue account deficit of LLDC under s85(4)(d) of the GLA Act
75	£40,800,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LLDC (lines (71) + (72) + (73) + (74) above)
76	-£32,900,000	estimate of LLDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
77	£0	estimate of LLDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
78	£0	estimate of LLDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
79	£0	estimate of LLDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
80	£0	estimate of LLDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
81	-£32,900,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (76) + (77) + (78) + (79) + (80))
82	-£7,900,000	estimate of LLDC's reserves to be used in meeting amounts in line 75 above under s85(5)(b) of the GLA Act
83	-£40,800,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LLDC (lines (81) + (82) above)
84	£0	the component council tax requirement for LLDC (being the amount by which the aggregate at (75) above exceeds the aggregate at (83) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the LLDC for 2016-17 is £0.

Draft Consolidated Budget for 2016-17

Old Oak and Park Royal Development Corporation ("OPDC") draft component budget

Line	Sum	Description
85	£5,500,000	estimated expenditure of OPDC for the year calculated in accordance with s85(4)(a) of the GLA Act
86	£0	estimated allowance for contingencies for OPDC under s85(4)(b) of the GLA Act
87	£0	estimated reserves to be raised for meeting future expenditure of OPDC under s85(4)(c) of the GLA Act
88	£0	estimate of reserves to meet a revenue account deficit of OPDC under s85(4)(d) of the GLA Act
89	£5,500,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for OPDC (lines (85) + (86) + (87) + (88) above)
90	-£5,500,000	estimate of OPDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
91	£0	estimate of OPDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
92	£0	estimate of OPDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
93	£0	estimate of OPDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
94	£0	estimate of OPDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
95	-£5,500,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (90) + (91) + (92) + (93) + (94))
96	-£0	estimate of OPDC's reserves to be used in meeting amounts in line 89 above under s85(5)(b) of the GLA Act
97	-£5,500,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for OPDC (lines (95) + (96) above)
98	£0	the component council tax requirement for OPDC (being the amount by which the aggregate at (89) above exceeds the aggregate at (97) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the OPDC for 2016-17 is £0.

Draft Consolidated Budget for 2016-17

Greater London Authority ("GLA") draft consolidated council tax requirement calculation incorporating the component council tax requirements for the Greater London Authority (Mayor), Greater London Authority (Assembly), the Mayor's Office for Policing and Crime (MOPAC), the London Fire and Emergency Planning Authority (LFEPA), Transport for London (TfL), the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).

Line		Description
99	£756,528,956	the GLA's consolidated council tax requirement (the sum of the amounts in lines (14) + (28) + (42) + (56) +(70) +(84) + (98) calculated in accordance with section 85(8) of the GLA Act)

The draft consolidated council tax requirement for the GLA for 2016-17 is £756,528,956

Aggregate GLA Group budget for 2016-17

Estimated Expenditure

£	GLA Mayor	GLA Assembly	MOPAC	LFEPA	TfL	LLDC	OPDC	Total
Estimated expenditure	£619,260,000	£7,646,000	£3,252,790,309	£425,160,000	£6,964,208,000	£40,050,000	£5,500,000	£11,314,614,309
Estimated allowance for contingencies	£2,800,000	£0	£0	£0	£0	£750,000	£0	£3,550,000
Estimated reserves to be raised for meeting future expenditure	£0	£0	£0	£2,800,000	£75,845,000	£0	£0	£78,645,000
Estimate of reserves to meet a revenue account deficit including forecast collection fund deficit for retained business rates	£72,493,489	£0	£0	£0	£0	£0	£0	£72,493,489
Estimated total expenditure	£694,553,489	£7,646,000	£3,252,790,309	£427,960,000	£7,040,053,000	£40,800,000	£5,500,000	£11,469,302,798

Page 25
including forecast collection
fund deficit for retained
business rates

Estimated Income and Calculation of Council Tax Requirement

£	GLA Mayor	GLA Assembly	MOPAC	LFEPA	TfL	LLDC	OPDC	Total
Estimate of non government grant income	-£506,225,613	-£400,000	-£257,660,000	-£32,600,000	-£5,713,954,856	-£32,900,000	-£5,500,000	-£6,549,240,469
Estimate of specific government grant income	-£4,600,000	£0	-£374,636,000	-£12,800,000	-£30,100,000	£0	£0	-£422,136,000
Estimate of general government grant income	-£9,961,097	-£2,531,000	-£1,931,700,000	-£128,530,000	-£435,700,000	£0	£0	-£2,508,422,097
Estimate of Retained Business Rates income	-£95,845,132	-£2,100,000	£0	-£115,659,936	-£854,298,144	£0	£0	-£1,067,903,212
Collection fund surplus for council tax	-£5,600,000	£0	£0	£0	£0	£0	£0	-£5,600,000
Estimated total income before use of reserves	-£622,231,842	-£5,031,000	-£2,563,996,000	-£289,589,936	-£7,034,053,000	-£32,900,000	-£5,500,000	-£10,553,301,778
Estimate of reserves to be used	-£29,140,000	£0	-£122,300,000	-£132,064	£0	-£7,900,000	£0	-£159,472,064
Estimated total income after use of reserves	-£651,371,842	-£5,031,000	-£2,686,296,000	-£289,722,000	-£7,034,053,000	-£40,800,000	-£5,500,000	-£10,712,773,842
Council tax requirement	£43,181,647	£2,615,000	£566,494,309	£138,238,000	£6,000,000	£0	£0	£756,528,956
COUNCIL TAXBASE	2,745,768.64	2,745,768.64	2,739,466.65	2,745,768.64	2,745,768.64	2,745,768.64	2,745,768.64	
BAND D COUNCIL TAX	£15.72	£0.95	£206.79	£50.35	£2.19	£0.00	£0.00	£276.00

Draft Consolidated Budget 2016-17

Explanation of Proposals

Index

	Page
Mayor's foreword	30
Section 1 - Introduction and Overview.....	31
Section 2 - Greater London Authority (GLA): Mayor of London	38
Section 3 - GLA: London Assembly	47
Section 4 - Mayor's Office for Policing and Crime (MOPAC)	49
Section 5 - London Fire and Emergency Planning Authority (LFEPA).....	56
Section 6 - Transport for London (TfL)	61
Section 7 - London Legacy Development Corporation (LLDC).....	68
Section 8 – Old Oak and Park Royal Development Corporation (OPDC).....	73
Section 9 - Draft Capital Spending Plan and Borrowing Limits.....	76
Appendices	
Appendix A: GLA: Mayor of London and London Assembly	81
Appendix B: MOPAC	85
Appendix C: LFEPA	88
Appendix D: TfL.....	90
Appendix E: LLDC	94
Appendix F: OPDC	96
Appendix G: Savings and efficiencies including Shared Services	97
Appendix H: Summary of revenue expenditure and financing	101
Appendix I: Funding Assumptions and Future Changes to Business Rates	109
Appendix J: Key dates.....	118
Appendix K: Material Amendments Compared to Consultation Budget.....	119

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Mayor's foreword

Superseded by the Mayor's Background Statement (Part 1)

Section 1 - Introduction and Overview

Introduction

- 1.1 The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions. The GLA's five functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPAC; overseeing the work of the Metropolitan Police Service - MPS); the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the new Old Oak Common and Park Royal Development Corporation (OPDC) which was established in April 2015.
- 1.2 The purpose of this Document is to consult the London Assembly, functional bodies, London Boroughs, the Common Council of the City of London and other interested parties, such as businesses, on the Mayor's proposed Revenue Budget and Draft Capital Spending Plan for 2016-17.
- 1.3 This section sets out a summary of the key deliverables in the Budget, a summary of the overall proposals and the structure of the rest of the Document.

Key deliverables

- 1.4 The Mayor's key objective in this Budget is to maximise value for the taxpayer through the rigorous pursuit of savings and efficiencies while protecting frontline services and directing capital investment to key priorities. The key deliverables in this Budget are, as follows, to:
 - increase the supply of affordable homes, delivering 100,000 over two Mayoral terms, and identify new and better approaches to increasing housing supply;
 - give talented young Londoners the opportunity to contribute to London's success by supporting and creating apprenticeship opportunities by 2016;
 - use the GLA's planning powers and significant land holdings to stimulate regeneration and create jobs;
 - maintain a police officer establishment at around 32,000;
 - maintain the existing targets for how quickly fire engines attend incidents;
 - reduce the number of people killed or seriously injured on London's roads by 40 per cent by 2020;
 - introduce a new 24-hour Tube service at weekends in 2016;
 - continue to deliver Crossrail, which will transform rail capacity and journey times and deliver the Northern Line extension to Nine Elms and Battersea;

Section 1 - Introduction and Overview

- invest £200 million in bus priority schemes, £913 million in cycling and £4 billion in London's roads;
- promote and deliver the regeneration of Queen Elizabeth Olympic Park and surrounding area, including starting the delivery of Olympicopolis; and
- unlock the potential of the Old Oak and Park Royal Opportunity Area.

Overall Gross Revenue and Capital Expenditure of the GLA Group

1.5 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2016-17 compared to 2015-16.

Total Gross Revenue and Capital Expenditure	2015-16 ⁴ £m	2016-17 £m	Change £m	Change %
Revenue:				
GLA: Mayor ¹	386.1	336.0	-50.1	-13%
GLA: Assembly	7.6	7.6	0.0	0%
Mayor's Office for Policing and Crime (MOPAC)	3,206.5	3,252.8	46.3	1%
London Fire and Emergency Planning Authority (LFEPA)	425.3	425.2	-0.1	0%
Transport for London (TfL) ²	7,034.8	6,964.2	-70.6	-1%
London Legacy Development Corporation (LLDC)	40.5	40.8	0.3	1%
Old Oak and Park Royal Development Corporation (OPDC)	4.0	5.5	1.5	38%
Total Revenue (GLA Services)	11,104.8	11,032.1	-72.7	1%
Add business rates retention tariff payment to CLG to support local government services outside London	355.7	358.6	2.9	1%
Total Revenue (including tariff payment)	11,460.5	11,390.7	-69.8	-1%
Capital:				
GLA: Mayor ³	1,097.5	812.1	-285.4	-26%
Mayor's Office for Policing and Crime (MOPAC)	266.0	228.2	-37.8	-14%
London Fire and Emergency Planning Authority (LFEPA)	38.6	58.8	20.2	52%
Transport for London (TfL)	4,066.2	3,581.2	-485.0	-12%
London Legacy Development Corporation (LLDC)	139.2	106.5	-32.7	-23%
Old Oak and Park Royal Development Corporation (OPDC)	0.0	0.0	0.0	0%
Total Capital	5,607.5	4,786.8	-820.7	-15%
GRAND TOTAL CAPITAL AND REVENUE	17,068.0	16,177.5	-890.5	-5%

Notes

1. GLA revenue expenditure for 2016-17 includes funding applied to support LLDC of £28.7m and for OPDC of £5.4m.
2. TfL gross revenue expenditure for 2016-17 is net of the £240 million reduction in its general operating grant. This does not necessarily imply that revenue expenditure reductions will be made.
3. GLA capital expenditure includes contributions to TfL for the Northern Line extension.
4. Revenue figures for 2015-16 are the revised budgets and the capital figures for 2015-16 are the forecast outturn.
5. Figures are the gross expenditure for statutory purposes and do not adjust for intra group transfers described in notes above.

Section 1 - Introduction and Overview

- 1.6 Overall gross revenue expenditure is slightly down in 2016-17 from 2015-16 after allowing for efficiency savings, committed growth and loss of Government grants. The net decrease in the Group's capital expenditure in 2016-17 primarily reflects the tailing off of Crossrail costs and the profiling of the GLA's housing investment programme, rather than an underlying reduction in capital expenditure.
- 1.7 After allowing for fares, charges, other income and use of reserves, **gross revenue expenditure of £11,390.7 million for 2016-17** (including rates retention tariff payments of £358.6 million) translates into **net expenditure to be financed from government grants, retained business rates and the council tax precept of £4,755.0 million.**

Council Tax Precept

- 1.8 The GLA's precept is the amount of council tax the Mayor has to raise from London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London) to balance the GLA Group's revenue expenditure, after allowing for revenue grants from the Government and retained business rates.
- 1.9 **The Mayor proposes a reduction in the Band D precept** paid by residents of the 32 London Boroughs from **£295.00 to £276.00 – a decrease of £19.00 or 6.4 per cent.** This represents a reduction of exactly 10 per cent or £30.72 compared to the precept level at the start of the Mayor's second term in 2012-13. The 2017-18 and 2018-19 indicative budgets assume the Council tax precept remains unchanged for residents of the 32 boroughs. The provisional 2016-17 precept for the Common Council of the City of London which is outside the Metropolitan Police district is £69.21 – a decrease of £16.92. More detailed information about the precept and its calculation are included in Appendix H.

Section 1 - Introduction and Overview

- 1.10 The consolidated council tax requirement for 2016-17 is **£756.5 million**. Details of the component council tax requirements for each member of the GLA Group for 2016-17, and indicative figures for the next two years, are set out below.

Component council tax requirements	Approved	Proposed	Plan	Plan
	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
GLA (Mayor)	118.3	48.8	54.6	60.4
GLA (Assembly)	2.6	2.6	2.6	2.6
MOPAC	566.5	566.5	568.3	570.1
LFEPA	138.2	138.2	138.2	138.2
TfL	6.0	6.0	6.0	6.0
LLDC	0.0	0.0	0.0	0.0
OPDC	0.0	0.0	0.0	0.0
Council tax Collection fund surpluses	-31.0	-5.6	-5.6	-5.6
Consolidated council tax requirement	800.6	756.5	764.1	771.8

- 1.11 The above table shows the impact of the Mayor's reduction in Council Tax in 2016-17 but assumes a 1 per cent increase in the council tax base and a council tax collection fund surplus of £5.6 million per year over the period 2016-17 to 2018-19.
- 1.12 The council tax requirement for 2016-17 and the Band D precept for the City of London area are subject to change before the Mayor's final budget is confirmed. There is potential for there to be a significantly greater degree of variation between the forecasts set out above and those presented in the final budget depending on the confirmation of the final taxbases for business rates retention and council tax and reported surpluses or deficits on billing authority collection funds.
- 1.13 Final information from billing authorities on their forecast business rates and council taxbases for 2016-17 along with their updated estimates on the outturn for 2015-16 will not be available until after 31 January. The impact of these will be reflected in the Mayor's final draft budget to be issued in February.
- 1.14 Forecast Council Tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2016-17 including government grants and fare revenues are summarised below:

Section 1 - Introduction and Overview

	£m	Per cent
Spending plans	11,390.7	
<i>Less:</i>		
Fares and traffic income	4,958.4	44%
Home Office Police General and Formula Grant	1,904.6	17%
Other general income	1,232.2	11%
Retained Business Rates	1,067.9	9%
GLA Transport Grant (general element)	435.7	4%
Home Office Specific Grants	374.6	3%
Business rates income used to fund tariff payment to DCLG	358.6	3%
Revenue support grant	168.1	1%
Use of Reserves	80.8	1%
Other Specific Government Grants	47.5	0%
Net Billing authority Collection fund surplus for council tax	5.6	0%
Consolidated Council tax requirement for GLA Group	756.5	7%

Rates Retention and Revenue Support Grant

- 1.15 Appendix H sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations made by the Mayor. Appendix I sets out the technical assumptions underpinning the planned funding allocations and the potential implications of the Government's intentions to devolve 100 per cent of business rates income to local authorities by 2020. The specific allocations – where applicable – to each functional body are addressed in the relevant sections.

Business Rates Retention Tariff and Levy Payments

- 1.16 Under the business rates retention system the GLA is required to make a fixed tariff payment to the Department for Communities and Local Government which is uprated annually. This budget assumes that the tariff payment will increase by 0.8 per cent or £2.9 million from £355.7 million in 2015-16 to £358.6 million in 2016-17. This is in line with the September 2015 Retail Prices Index (RPI) which is used as the basis for uprating the non domestic rating multiplier (or tax rate per pound of rateable value).
- 1.17 Under the business rates retention system the GLA is required to pay 27 per cent of any real terms growth secured as a levy payment to the Secretary of State. Based on the forecasts assumed in this Draft Budget it is estimated that the levy payment for 2016-17 will be approximately £9.4 million. These are indicative estimates and the 2016-17 figures will be revised before the final draft budget to reflect the forecasts supplied by the 33 billing authorities by the end of January 2016. The actual levy payment to the Secretary of State, if applicable, will be based on the 2016-17 business rates outturn data submitted in September 2017. Further details are set out in Appendices H and I.

Section 1 - Introduction and Overview

Funding Allocations from Sources over which the Mayor has direct control

- 1.18 The table below summarises the proposed funding allocations from revenue support grant, retained business rates and Council Tax to the GLA (Mayor and Assembly), MOPAC, LFEPA and TfL for 2016-17 compared to the 2015-16 original allocations. These are the funds which the Mayor has the ability to apply and reallocate across the GLA group at his discretion. No allocations are made for LLDC and OPDC as they receive their funding via the GLA and other sources. The allocations are subject to change to reflect the final local government and fire settlements approved by Parliament, the returns submitted by boroughs forecasting their business rates income and council taxbases for 2016-17 and the GLA's share of their forecast surpluses or deficits compared to their original forecasts for both business rates and Council Tax income for 2015-16.
- 1.19 The table below shows that the principal change in the allocation of funds across the GLA Group is the reduction in funding for the GLA which reflects the Mayor's reduction in his Council Tax precept. Resources for MOPAC provided by the Mayor have increased by nearly 5 per cent. More details are set out in Appendix I.

Allocation of Funding Sources over which the Mayor has direct control

2016-17 (£m)	Mayor	Assembly	MOPAC	LFEPA	TfL	Total
Council tax	43.2	2.6	566.5	138.2	6.0	756.5
Revenue support grant	10.0	2.5	27.1	128.5	0.0	168.1
Business rates	95.8	2.1	0.0	115.8	854.3	1,068.0
Total Mayoral Funding	149.0	7.2	593.6	382.4	860.3	1,992.6

2015-16 (£m)	Mayor	Assembly	MOPAC	LFEPA	TfL	Total
Council tax	87.3	2.6	566.5	138.2	6.0	800.6
Revenue support grant	41.7	2.5	0.0	129.4	0.0	173.6
Business rates	80.4	2.1	0.0	114.7	847.5	1,044.7
Total Mayoral Funding	209.4	7.2	566.5	382.4	853.5	2,019.0

Change (£ m)	-60.4	0.0	27.1	0.0	6.8	-26.4
Change (%)	-28.8%	0.0%	4.8%	0.0%	0.8%	-1.3%

Additional savings proposals

- 1.20 Following the Comprehensive Spending Review on 25 November and the subsequent local Settlements for all members of the GLA Group, this draft budget sets out the impact of these announcements as far as has been possible within the timeframe. However, further detailed consideration will need to be given to the implications of each functional bodies local settlement details and their effect on services.

Section 1 - Introduction and Overview

Equalities

- 1.21 All seven component bodies (the Mayor and Assembly and the five functional bodies) must comply with section 149 of the Equality Act 2010. Compliance with the duty is iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken.
- 1.22 The component bodies will undertake this at a budget level and in the implementation of their individual policies, programmes and projects. An interim assessment of the equality implications of each component body's Budget at this stage of the process are set out in each of their sections of this Document.

Structure of Part 2

- 1.23 Revenue budget proposals and funding for each constituent body within the GLA Group is presented in organisational terms in **Sections 2 to 8** of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of their council tax requirements. **Section 9** sets out the draft capital spending plans and borrowing limits for the GLA Group.
- 1.24 **Appendices A to I** provide more explanatory information on the budget proposals, including Appendices H and I which address the medium term financial outlook for the GLA Group, funding assumptions underpinning the budget proposals and information on the Government's proposals to fully devolve business rates. All figures are presented to the nearest £0.1 million. Please note that figures in the tables throughout the document may not sum exactly due to this rounding effect.
- 1.25 There are also more detailed public documents relating to the budget proposals, including those that have been the subject of individual scrutiny and discussion by the functional bodies. These are available on the GLA's and functional bodies' websites. For further information on these documents, or generally in respect of the budget proposals, please contact:

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Section 2 – Greater London Authority Mayor of London

Introduction

- 2.1 The GLA is a strategic authority with a London-wide role to design a better future for the capital. The Mayor of London sets a citywide vision of improvement, develops strategies, policies and investment programmes to realise the vision and provides funding and encouragement to help make it a reality. The London Assembly holds the Mayor to account by examining his decisions and actions to ensure he delivers on his promises to Londoners.
- 2.2 For the purpose of budget setting the Mayor of London and London Assembly must be treated as separate constituent bodies. The component budget for the Assembly comprises estimates for direct expenditure and income, and appropriate contingencies and financial reserves for Assembly functions and is set out at Section 3. The budget for the Mayor is set out below and comprises the rest of the GLA, and includes expenditure incurred on accommodation in relation to the Assembly's business and goods and services provided or procured for the Authority in general.

Key deliverables

- 2.3 The major GLA programmes supporting the Mayor's ambitions are, as follows:
- Strengthening local economies through the Mayor's regeneration funds with a focus on London's high streets;
 - Giving talented young Londoners the opportunity to contribute to London's success by supporting and creating apprenticeship opportunities;
 - Using the GLA's planning powers and significant land holdings to stimulate regeneration and create jobs and homes;
 - Planning for London's future, putting in place policies and strategies to seize the opportunities and address the challenges, including securing tomorrow's infrastructure;
 - Increasing the supply of affordable homes, delivering 100,000 over two mayoral terms, and identifying new and better approaches to increasing housing supply such as the creation of Housing Zones;
 - Tackling rough sleeping, with the aim that no-one spends a second night out nor lives on the streets;
 - Driving up standards in London's schools, boosting attainment and giving every child the platform they need to succeed;
 - Retrofitting and increasing the environmental efficiency of more of London's homes and public sector workplaces, saving carbon and cutting bills;

Section 2 – Greater London Authority Mayor of London

- Making London greener and cleaner by supporting the planting and management of the capital's trees and the improvement of green spaces identified in the All London Green Grid – the capital's green infrastructure;
- Launching Licence Lite – the granting of a junior electricity supply licence by OFGEM to enable the GLA to become an operational licenced energy supplier to stimulate the development of energy generation schemes in London;
- Working with stakeholders to deliver more local energy generation projects for a lower cost, more secure and lower carbon energy supply for London;
- Working to continue to improve London's air quality through developing plans for the Ultra-Low Emission Zone and through the Mayor's Air Quality Fund;
- Helping Londoners to volunteer and do something great for their city, as well as encouraging young people to learn new skills through volunteering programmes;
- Building on the London 2012 sporting legacy further by continuing to attract major international sports events and further boost sport at the grassroots level;
- Enhancing London's cultural capital and deliver a diverse programme of events to create economic value, excite and put London in the world's spotlight; and
- Presenting London's case to Government and internationally as the world's destination for investment, tourism and talent.

Gross revenue and capital expenditure

2.4 The GLA's combined capital and revenue budget for services in 2016-17 is projected under the Mayor's proposals to be reduced by £335.4 million. **The Mayor's gross revenue expenditure for the GLA in 2016-17 is proposed to be £694.6 million.** After netting off the forecast £358.6 million tariff payment payable to DCLG in respect of business rates retention the gross revenue expenditure on GLA services is proposed by the Mayor to be £336.0 million in 2016-17 – £50.1 million or 13 per cent lower than in 2015-16. This reduction reflects the profiling of the GLA's regeneration programmes and the reduction in the Olympic precept contribution to the Government.

2.5 **The Mayor's proposed Capital Plan for the GLA in 2016-17 is £812.1 million** – a reduction of £285.4 million compared to the forecast outturn for 2015-16. This arises primarily because of variations in the Mayor's housing capital programme and profiling of the GLA's contribution towards the LLDC's capital programme. The reduction in the GLA's draft capital programme therefore reflects the profiling of capital expenditure rather than an underlying reduction. The plan also includes future borrowing being drawn down in respect of the GLA's contribution towards the cost of the Northern Line extension to Battersea. The GLA's draft Capital Plan is set out in Section 9 and the GLA's proposed revenue budget is summarised below.

Section 2 – Greater London Authority Mayor of London

Net revenue expenditure and council tax requirement

- 2.6 After deducting fees, charges, investment income, business rate supplement revenues for Crossrail, and use of earmarked and general reserves, **net expenditure for 2016-17 for the Mayor is proposed to be £159.3 million.** After deducting income from government grants, retained business rates, and an assumed collection fund surplus forecast for council tax offset by an assumed retained business rates forecast deficit **the council tax requirement for the Mayor is proposed as £43.2 million.**

Summary of GLA budget

- 2.7 The table overleaf summarises the GLA Budget at an objective (i.e. directorate) level. Appendix A summarises the budget at a subjective level. The investment proposals represent the current estimate of continuing approved policies and programmes within the current level of staffing. This –and putting in place break clauses within programmes as and when possible- reflects the objective to not unnecessarily constrain a new Mayor, who will set his or her own priorities following the Mayoral election in May.

Explanation of budget changes

- 2.8 An analysis of the year on year movements in the council tax requirement is set out in the table below. The table compares the revised budget for 2015-16 with the proposed 2016-17 budget:

Changes in the proposed council tax requirement for the GLA (Mayor) component budget	£m
2015-16 council tax requirement	87.3
<i>Changes due to:</i>	
Inflation	1.4
Savings and efficiencies	-9.2
Change due to reduction in Olympic precept contributions	-32.7
Change in net service expenditure and other income	-2.3
Changes due to use of reserves and management of business rates and council tax income	-43.1
Change in Government grants	41.8
2016-17 council tax requirement	43.2

Section 2 – Greater London Authority Mayor of London

Mayor - Objective analysis

GLA Service/directorate analysis	Revised Budget	Forecast	Budget	Plan	Plan
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Directorate Expenditure					
Development, Enterprise & Environment	33.6	22.3	10.4	10.2	10.2
Housing & Land	23.3	20.7	21.0	21.0	21.0
Communities & Intelligence	26.9	24.7	26.3	19.4	25.4
External Affairs	7.1	7.1	6.2	6.2	6.2
Resources	15.3	15.7	26.2	39.5	39.0
Corporate Management Team	1.1	1.1	1.1	1.1	1.1
Mayor's Office	4.2	4.2	4.2	4.2	4.2
Elections	6.5	4.2	10.7	0.3	0.8
Sub-total Directorate expenditure	118.1	100.1	106.0	101.9	107.9
Olympic Funding Agreement	61.0	61.0	28.3	0.0	0.0
Museum of London	7.6	7.6	7.6	7.6	7.6
London and Partners	12.0	12.0	11.0	11.9	11.9
London Legacy Development Corporation	27.5	27.5	28.7	25.6	27.0
Old Oak & Park Royal Development Corporation	3.7	3.7	5.4	5.4	5.4
Contingency	1.6	1.6	2.8	3.0	3.0
Net service expenditure	231.5	213.5	189.8	155.4	162.8
Financing costs – Crossrail	130.0	130.0	115.3	115.3	115.3
Financing costs – non Crossrail	17.2	17.2	19.6	22.9	25.2
Business rates retention tariff payment	355.7	355.7	358.6	505.3	516.9
Business rates retention levy payment	5.6	5.6	9.4	32.1	45.4
Total net expenditure	740.0	722.0	692.7	830.9	865.7
Income					
Crossrail Business Rate Supplement	-130.0	-130.0	-115.3	-115.3	-115.3
Business rates income to fund tariff to CLG	-355.7	-355.7	-358.6	-505.3	-516.9
Business rates income to fund levy payment	-5.6	-5.6	-9.4	-32.1	-45.4
NLE Contributions	0.0	0.0	-2.1	-5.1	-9.8
Interest receipts	-10.4	-14.4	-18.9	-19.6	-21.0
Net revenue expenditure	238.3	216.3	188.4	153.6	157.3
Transfer to/(from) reserves	66.6	88.6	-101.6	34.6	45.6
Transfer to MRR for business rates deficit	25.6	25.6	72.5	0.0	0.0
Mayor's Financing requirement	330.5	330.5	159.3	188.2	202.9
Council tax freeze specific grants	9.5	9.5	0.0	0.0	0.0
Other specific grants	5.1	5.1	4.6	4.6	4.6
Retained business rates	155.9	155.9	95.8	122.1	131.2
Revenue support grant	41.8	41.8	10.0	6.9	6.7
Basic Council tax requirement	118.3	118.3	48.8	54.6	60.4
Collection fund surplus council tax	-31.0	-31.0	-5.6	-5.6	-5.6
Statutory Council tax requirement	87.3	87.3	43.2	49.0	54.8

Section 2 – Greater London Authority Mayor of London

Inflation

- 2.9 The Budget includes a provision for inflationary pressures of £1.4 million.

Savings and efficiencies

- 2.10 The Budget includes savings of £9.2 million.

Changes due to the Olympic Precept

- 2.11 The previous Mayor committed to raise £625 million from London Council Taxpayers as a contribution to the public sector funding package for the 2012 Olympic Games and Paralympic Games over the period 2006-07 to 2016-17. The present forecast is that this £625 million will have been raised by a Band D amount of £20 for 10 years and approximately £8 in 2016-17 (year 11). Under the Mayor's budget plans this element of the precept will therefore reduce to £8 in 2016-17 and not be required in 2017-18 as the £625 million contribution will have been secured.
- 2.12 The Mayor's component budget includes a sum of £28.3 million to be paid to the Department for Culture, Media and Sport in respect of Olympic precept liabilities for 2016-17. This is £32.7 million lower than the figure in 2015-16 reflecting the £12 reduction outlined above. However the exact contribution to Government does not match the reduction in precept income as since the introduction of the localisation of council tax support in 2013-14 part of this has been financed notionally from revenue support grant. The balance of £8 of Band D Council Tax is assumed in the GLA's balances from 2017-18 onwards for a future Mayor to determine.

Changes in net service expenditure and other income

- 2.13 Excluding the impact of the changes due to the Olympic Precept set out above the budget proposes changes in net service expenditure and other income of £2.3 million. As well as net changes in various directorates and programmes of approximately £2.6m, this includes the net impact of a £14.7 million reduction in forecast Crossrail financing costs due the repayment of principal, a net increase of £6.6 million due to the increase in the cost of the business rates tariff payment and forecast levy payment, and other net increases of £3.2 million.

Change in use of reserves and management of business rates and council tax income

- 2.14 The budget proposes that the net change in resources due to use of reserves and management of business rates and Council Tax income, comparing the 2016-17 budget with the revised 2015-16 budget, will be £43.0 million.
- 2.15 This includes the effect of the planned usage of funds held in the Mayor's Resilience Reserve (MRR) to fund the Mayor's expenditure and also reflects the Mayor's management of business rates and council tax income through the MRR and the impact these items have on the funding streams controlled by the Mayor that are allocated to other members of the GLA Group. The net impact of these items on the GLA budget is £103.1 million.

Section 2 – Greater London Authority Mayor of London

- 2.16 The Mayor is proposing that the GLA will receive £95.8 million in funding via rates retention which is £60.1 million lower than the allocation to the GLA in 2015-16. £72.5 million of the allocation is forecast to be required to finance the residual balance of the retained business rates deficit for 2013-14 and 2014-15 – in line with the sum that it is anticipated the 33 London billing authorities will seek to recover through the sums payable to the GLA in 2016-17. This is treated as the provisional collection fund deficit for retained rates within the budget tables. This adjustment reflects the Mayor’s decision to manage upsides and downsides in rates retention income centrally in order to maintain certainty in funding for functional bodies.

Change in Government Grants (Revenue Support and Specific Grants)

- 2.17 The GLA will be allocated approximately £14.6 million in government grants in 2016-17 by the Mayor – a reduction of £41.8 million compared to 2015-16.
- 2.18 The largest single element of the GLA’s government funding is general revenue support grant of £10.0 million which is around £31.8 million lower in cash terms than the Mayor’s revised budget allocation of £41.8 million for 2015-16. This reduction reflects the impact of the protection being provided to LFEPA which is primarily delivered in 2016-17 through a reallocation of revenue support grant from the GLA.

London Enterprise Panel (LEP)

- 2.19 The LEP is the body through which the Mayor works with London’s business community, boroughs and the Corporation of London to take a strategic view of the regeneration, housing, skills and other social or environmental investments required in London. The LEP was allocated £57million in 2015-16 and an indicative £77.5 million in 2016-17, £8.7 million in 2017-18 and £8.7 million in 2018-19 as part of its Local Growth Deal.
- 2.20 The new 2014-20 EU programmes were launched earlier this year. The LEP (to which the Government has given strategic responsibilities in respect of EU Funds) has been awarded €745 million of European Social Fund (ESF) and European Regional Development Fund (ERDF) to invest in boosting jobs and growth for London. The 2014-20 ESIF strategy for London set out the key areas for ESF and ERDF investment against the LEP’s four Jobs and Growth Plan priorities: Skills and Employment, SME Competitiveness, Science & Technology and Infrastructure. ESF is, for the most part, co-financed by national ‘Opt-in’ organisations: the Department for Work & Pensions (DWP), the Skills Funding Agency (SFA) and Big Lottery Fund. ERDF is allocated via an open, competitive bidding process.

Section 2 – Greater London Authority Mayor of London

Skills and Apprenticeships

- 2.21 In light of the national commitment to create three million apprenticeships by 2020, the GLA's work in this area will continue to be a priority. An estimated budget of £1.8 million will be carried forward to 2016-17 to continue the Employer-led apprenticeship programme and work is taking place to focus on the construction sector where demand is increasing. Huge changes are expected in this area: the Apprenticeship levy announced in the Spending Review and Autumn Statement 2015 will be rolled out in April 2017. It will raise over £3 billion a year by 2019-20, £2.5 billion of which will be spent on apprenticeships in England only. This is the highest investment in real terms ever made for apprenticeships. Against this context, GLA is currently looking into the most effective way to maximise opportunities, and higher skilled apprenticeships in particular, in London.

Housing

- 2.22 Whilst it is expected that GLA will have delivered the Mayor's commitment of 100,000 new affordable homes over his two Mayoral terms, delivering affordable housing for Londoners will continue to be a top priority throughout 2016-17. The GLA's planned housing investment is set out in more detail in its capital spending plan in section 9.

Equalities

- 2.23 Equal Life Chances for All (ELCFA) is the GLA's main arrangement for mainstreaming equality – making sure equality is integrated into everything the organisation does, and sets out GLA's agreed statutory equality objectives. Progress made against these objectives is reported annually in the Mayor's Annual Equalities Report. While the Key Performance Indicators within the Business Plan are reported on quarterly, the revised objectives from the ELCFA framework will continue to be monitored annually by the Diversity and Social Policy Team. Progress is reported annually in the Mayor's Annual Equality Report, which demonstrates the GLA's compliance with section 149 of the Equalities Act 2010.

Environmental impact

- 2.24 The Mayor's budget takes into account the targets he has set to improve London's environment, including a 60 per cent CO₂ reduction on 1990 levels by 2025, halving transport related NO_x emissions in central London by 2020, reducing those living in areas exceeding the EU limit values for NO₂ by 70 per cent and increasing tree cover by 5 per cent by 2025. His single environment strategy (covering air quality, energy, climate change mitigation and adaptation, noise, biodiversity, water and waste issues), together with the complimentary policies in the London Plan, provides the framework on which the GLA considers the environmental impacts of its activities to ensure investment in regenerating London and supporting its economy is undertaken sustainably.

Section 2 – Greater London Authority Mayor of London

Reserves

- 2.25 The GLA's current policy is to maintain a minimum general reserve balance of £10 million after taking into account any accumulated losses on its commercial land and property transactions with GLA Land and Property Limited (GLAP). GLAP's accumulated losses after two years of trading totalled £48.6 million; the losses reflect the timing of expenditure and receipts being incurred and received. Therefore, at 31 March 2016 the GLA's general reserves balance is forecast to total £58.6 million. This balance is assumed at this stage to remain constant through to the end of 2018-19.
- 2.26 Following the introduction of the new local government finance system in April 2013 the Mayor established a resilience reserve to manage upside and downside risks relating to retained business rates and council tax. This reserve is also used to manage the implementation of the Mayor's precept reduction, council taxbase buoyancy, retained business rates surpluses or deficits and the application of other general revenue streams provided to the Mayor. The assumptions made to forecast the balances on the Mayor's resilience reserve are set out in Appendix I. Inevitably there is a significant degree of uncertainty particularly in relation to forecast business rates income.
- 2.27 The resilience reserve balances set out below will be updated once the relevant taxbase and collection fund data is received from billing authorities in respect of retained business rates and council tax. at the end of January 2016. However, elements of funding available to a new Mayor are included in the MRR for his or her determination. More detail on the strategy for the MRR is set out in Appendix I.

Movement in reserves During Financial Year	Outturn	Forecast	Budget	Plan	Plan
	2014-15	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Opening balances	305.9	289.4	349.7	238.7	243.2
Transfers to/from:					
Mayor's Resilience Reserve	19.0	130.2	-87.6	6.7	7.2
Earmarked reserves	-35.5	-69.8	-23.4	-2.2	-1.7
General reserves	0.0	0.0	0	0	0
Closing balances	289.4	349.7	238.7	243.2	248.7

Note: The total reserve movements in 2016-17, 2017-18 and 2018-19 are net of the forecast business rates retention levy payments on growth to Government and also the management of business rates and council tax allocations across the GLA Group.

- 2.28 The expected total reserves at the end of each financial year are summarised below:

Total reserves at end of financial year	Outturn	Forecast	Budget	Plan	Plan
	2014-15	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Mayor's Resilience Reserve	59.4	189.5	101.9	108.6	115.8
Earmarked reserves	171.4	101.6	78.2	76.1	74.3
General reserves	58.6	58.6	58.6	58.6	58.6
Total	289.4	349.7	238.7	243.2	248.7

Section 2 – Greater London Authority Mayor of London

2.29 The tables exclude forecast accumulated Crossrail Business Rate Supplement balances at the end of March 2017 which are held in a ring fenced reserve to meet future financing costs, debt repayments and refunds to ratepayers arising from successful rating appeals. These funds cannot be used for any other purpose by the GLA. The table also excludes accumulated receipts from anticipated borrowing for the Northern Line Extension and the business rates backdated appeals spreading reserve, a non-usable reserve set up to manage the spreading of 2013-14 backdated business rates appeals that can be applied against future years growth in business rates to reduce the forecast levy payment to central government. The forecast use of reserves is before the potential impact of the OPDC plans for the Old Oak common and Park Royal opportunity area.

Flexibility in the GLA Budget

2.30 Overall, the GLA's revenue funding is largely committed for 2016-17. From 2017-19, due to programmes coming to a close, approximately £11.5 million of unallocated revenue funding becomes available to a new Mayor in each year. This sum is held within the Resources Directorate as shown in the objective table above.

Section 3 – Greater London Authority: London Assembly

Introduction

3.1 The separate component budget for the London Assembly comprises GLA costs arising in respect of Assembly Members, of employees of the Authority who work as support staff for the Assembly, of goods or services procured solely for the purposes of the Assembly and of the support provided by the Assembly to London TravelWatch, the watchdog for transport users in and around London.

Key deliverables

3.2 The Assembly Secretariat has seven objectives to guide its work, to support:

- the Assembly and its committees to enable them to effectively hold the Mayor to account;
- the Assembly and its committees to conduct effective investigations into issues of importance to Londoners;
- Assembly Members in relation to their representative and constituency roles;
- raising the profile of the work of the Assembly and enhance its positive reputation among Londoners;
- the effective governance of the GLA, including support for the work of the Monitoring Officer;
- the Assembly in carrying out its statutory duties towards London TravelWatch; and
- the Greater London Returning Officer in the effective planning and management of the Mayoral and London Assembly elections.

Gross revenue expenditure and Council Tax Requirement

3.3 **The Mayor is proposing that the Assembly's gross revenue expenditure for 2016-17 is £7.6 million – the same level as in 2015-16.** The Mayor is proposing that **the Assembly's net expenditure for 2016-17 is £7.2 million.** This is the same as that in 2015-16 on a like for like basis.

3.4 As set out in section 2, deducting the respective GLA general grant and retained business rates shares for the Mayor and Assembly having regard to their respective net expenditure, results in the Mayor proposing **a council tax requirement for the Assembly of £2.6 million in 2016-17.** The revenue budget for the Assembly is set out in the table below on an objective basis.

Section 3 – Greater London Authority: London Assembly

Assembly - Objective analysis

Service analysis	Revised Budget	Forecast	Budget	Plan	Plan
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Assembly Members	1.8	1.8	1.8	1.8	1.8
Member Services	2.1	2.1	2.1	2.1	2.1
Scrutiny & Investigations	1.5	1.5	1.5	1.5	1.5
Committee Services	0.5	0.5	0.5	0.5	0.5
Director/Business support	0.2	0.2	0.2	0.2	0.2
London TravelWatch	1.1	1.1	1.1	1.1	1.1
Net revenue expenditure	7.2	7.2	7.2	7.2	7.2
Financed by:					
Retained business rates	2.1	2.1	2.1	2.1	2.1
Revenue support grant	2.5	2.5	2.5	2.5	2.5
Council tax requirement	2.6	2.6	2.6	2.6	2.6

Explanation of budget changes

3.5 An analysis of the year on year movement in council tax requirements is set out below. An explanation of each change is detailed in the paragraphs below. Appendix A sets out a subjective analysis of the Mayor's proposed 2016-17 budget for the Assembly.

Changes in the Assembly's council tax requirement	2016-17 £m
2015-16 council tax requirement	2.6
<i>Changes due to:</i>	
Inflation	0.1
Savings	-0.1
2016-17 council tax requirement	2.6

Inflation

3.6 The Budget includes a provision for the increase in employer's national insurance of £0.1 million.

Savings and efficiencies

3.7 The Budget includes £0.1 million of savings offered by the Assembly in 2016-17.

Equalities and environmental impact

3.8 All the Assembly's savings are administrative in nature and therefore are unlikely to have any adverse equalities impact. None of the Assembly's savings have any adverse environmental impact.

Reserves

3.9 The Mayor's proposed budget for the Assembly includes a Development and Resettlement reserve of £1.5 million as at the beginning of 2016-17.

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

Introduction

4.1 The Mayor’s Office for Policing and Crime (MOPAC) works on behalf of Londoners to hold the Metropolitan Police Service (MPS) to account and improve the provision of criminal justice services across the capital. MOPAC’s Police and Crime Plan sets out the Mayor’s strategy for policing and crime reduction over a four year period for 2013-2016.

Key deliverables

4.2 The Mayor’s proposed budget for MOPAC has been prepared to support the delivery of the Police and Crime Plan and specifically to:

- Cut crime by 20 per cent in 7 neighbourhood crime types, reducing the numbers of crime by up to 250,000;
- Increase confidence by 20 per cent up to 75 per cent;
- Cut costs by 20 per cent by delivering savings of £500 million;
- Seek swifter justice for victims by reducing delays in the criminal justice system by 20 per cent;
- Reduce reoffending by young people leaving custody in London by 20 per cent; and
- Increase compliance with community sentences by 20 per cent.

4.3 The Mayor has driven forward an ambitious programme of work to realise his vision for London as the world’s safest global city. Through determined leadership and focused, transparent oversight - enabled by ground-breaking data tools - over the last four years this has:

- Made Londoners safer, cutting neighbourhood crime in London by nearly 19 per cent, a reduction of nearly 80,000 offences. Burglary in London is at its lowest level since 1974. Robbery has plummeted by 44 per cent. MOPAC remain on track to meet the target of a 20 per cent reduction by the end of the Police and Crime Plan period;
- Boosted public confidence in the police from 62 per cent in 2012 to 67 per cent today. Overall satisfaction in the service provided by the MPS has increased from 74 per cent to 80 per cent over the same period;
- Delivered better value for money, cutting costs by over 20 per cent whilst maintaining a strong front line. By the end of the Mayor’s term, the MPS will have delivered savings of £573 million, whilst maintaining his target strength of 32,000 officers;
- Helped victims of crime receive justice more quickly, reducing court delays through close partnership work with the criminal justice system to ensure a focus on victims and improvements in their efficiency;

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

- Improved engagement with local communities through the establishment of Safer Neighbourhood teams in all 32 London boroughs. These have enabled local communities to have a greater voice in the policing of their neighbourhoods and to work closely with their borough police services to support improved effective delivery of crime and disorder prevention and reduction.
 - Ensured more offenders face the consequences for their crimes, putting a renewed focus on making sure that convicted criminals complete their court orders. Since 2011-12, compliance has increased from 77 per cent to 84 per cent; and
 - Provided £69m grant funding over four years for crime reduction projects across the city through the London Crime Prevention Fund.
- 4.4 MOPAC has also brought together police, councils, agencies and community groups, using innovative new approaches and pooling resources to deliver better services for Londoners. This work includes developing an Integrated Victims Service, a pan-London Domestic Violence Service and securing funding for the London Resettlement Consortia (LRC).
- 4.5 The Met faces new challenges ahead. London’s population continues to grow and diversify rapidly. New and previously under-reported crime threats such as cyber-crime, people trafficking and child sexual exploitation are emerging which the police must be equipped to tackle. MOPAC’s Reduce, Release, Reform programme is enabling the transformation of the MPS into a truly 21st century crime-fighting force by:
- Reforming the policing model for the city, putting frontline policing first and ensuring that the emphasis is on getting more officers out of back office roles and onto the streets, protecting and reassuring the public. In March 2013, Operational Policing Model (OPM) data showed 42.3 per cent of officers were in frontline roles. Thanks to these reforms, by September 2015 it was 54.1 per cent;
 - Reinvigorating neighbourhood policing, putting 2,600 additional officers into neighbourhoods and introducing a new model of local policing to provide greater flexibility to local managers and a greater say for the community in setting police priorities. Neighbourhood crime has fallen by nearly 19 per cent since 2012,
 - Decommissioning out-of-date IT systems and investing in the latest digital technology to make officers more mobile, more effective and more efficient;
 - Launching the largest rollout of body-worn video technology in any city in the world, with 22,000 cameras rolling out to MPS officers to give them greater protection and the public greater confidence;
 - Taking effective action to ensure that the Met is more representative of the city it serves. We have championed London-only recruitment in order to drive progress towards a police service which is more in tune with London. Today’s Met is more diverse than at any other time in its history;

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

- Investing in specialist police teams with the skills and equipment to investigate and take action against developing crime types. These include FALCON, a team of 300 officers dedicated to tackling online crime;
- Pioneering ambitious new approaches to evidence-based policing and policy-making, developing a range of innovative data dashboards, launching the Global Policing Database to share best practice and founding the academic Institute of Global City Policing;
- Reforming the back office, including a £216 million deal to outsource support services, relocating this service outside London to reduce administrative costs and maximise value for public money;
- Radically reducing the number of police managers and senior ranks;
- Leading from the front in the journey towards national procurement for goods and services, with MOPAC and the MPS recently awarding a 10 year contract to provide a National Uniform Managed Service (NUMS);
- Collaborating with Transport for London to grant the MPS access to the TfL network of ANPR cameras, making the most of an existing resource to help protect the city and prevent crime; and
- Releasing old and underused police stations – the infrastructure of the past – and using the £1 billion of proceeds to invest in a 21st century police estate and digital policing. Reflecting how Londoners expect to be able to contact the police, victim satisfaction with the ease of contacting the MPS has increased to a record high of 94 per cent during this period.

4.6 London as a whole has benefited from the Met’s estates strategy, with the buildings sold so far boosting London’s Gross Value Added (GVA) by providing at least 4,000 new residential units, 12,000 direct and indirect jobs and nine schools.

Gross revenue and capital expenditure

4.7 **Gross revenue expenditure by MOPAC is to be increased by £46.3 million to £3,252.8 million in 2016-17** compared to the revised budget for 2015-16. **Total capital expenditure is forecast to be £228.2 million in 2016-17** which is some £37.8 million lower than in 2015-16. This reflects the profiling of the investment required to deliver the Metchange transformation programme which will deliver savings in MOPAC’s estate and support services along with assumptions concerning over-programming of various capital projects

4.8 The Mayor’s proposed Capital Plan for MOPAC is set out in Section 9 as part of the Group-wide Capital Spending Plan and the Mayor’s proposed revenue budget for MOPAC is described directly below.

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

Net revenue expenditure and council tax requirement

- 4.9 After deducting other income from fees and charges and the planned use of reserves **MOPAC’s approved net expenditure for 2016-17 before the application of government grants and council tax is £2,872.8 million. The Mayor’s approved council tax requirement for MOPAC is £566.5 million.** The Mayor’s proposed revenue budget for MOPAC is summarised in the table below on an objective basis. In 2017-18 and 2018-19 the council tax requirement for MOPAC is increased by £1.8 million year on year to £568.3 million and £570.1 million respectively.

MOPAC - Objective analysis

Objective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget				
	2015-16	2015-16	2016-17	2017-18	2018-19
£m					
Business Groups:					
Territorial Policing	1,143.4	1,191.9	1,134.2	1,122.8	1,122.8
Specialist Crime and Operations	713.3	693.3	701.9	699.5	699.5
Specialist Operations	281.1	285.4	276.3	264.2	264.2
Met HQ	489.0	528.4	486.8	413.4	374.1
Shared Support Services	113.4	104.3	81.9	72.3	69.8
Total Business Groups	2,740.2	2,803.2	2,681.1	2,572.2	2,530.5
Discretionary Pensions Costs	35.9	34.0	35.9	35.9	35.9
Centrally held items for MOPAC and MPS	47.8	103.2	185.9	235.4	285.4
Capital financing costs	50.6	50.6	46.3	46.3	46.3
Interest receipts	-0.8	-0.8	-0.8	-0.8	-0.8
Total corporate budgets	133.5	187.0	267.3	316.8	366.8
Mayor’s Office for Policing and Crime	53.2	52.3	46.6	45.7	45.7
Savings to be identified	0.0	0.0	0.0	-34.9	-67.0
Net revenue expenditure	2,926.9	3,042.4	2,995.1	2,899.8	2,875.9
Transfers to/from reserves	-70.5	-188.7	-122.3	-26.1	-0.5
Net financing requirement	2,856.4	2,853.7	2,872.8	2,873.7	2,875.4
Specific Grants	376.0	373.4	374.6	373.7	373.7
Revenue support grant	0.0	0.0	27.1	27.1	27.1
Home Office General Policing Grant	1,913.8	1,913.8	1,904.6	1,904.6	1,904.6
Council tax requirement	566.5	566.5	566.5	568.3	570.1

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

Explanation of budget changes

- 4.10 An analysis of the year on year movement in the Mayor’s proposed council tax requirement for MOPAC is set out below and an explanation of each change is provided in the paragraphs that follow. The table compares the revised budget for 2015-16 with the proposed 2016-17 budget. In addition, Appendix B sets out a subjective analysis of MOPAC’s budget.

Changes in the MOPAC’s council tax requirement	£m
2015-16 council tax requirement	566.5
<i>Changes due to:</i>	
Inflation	25.4
Savings	-4.3
Efficiencies	-122.3
New Initiatives and net change in existing services	122.4
Single-Tier Pension Costs	47.2
Changes in Government grants	-16.5
Change in budgeted use of reserves	-51.9
2016-17 council tax requirement	566.5

Inflation

- 4.11 The Budget includes a provision for inflation of £25.4 million.

Savings and efficiencies

- 4.12 The budget incorporates planned savings of £4.3 million and efficiencies of £122.3 million. Going forward, MOPAC is committed to further reform, through its own commissioning budgets and through further transformation in the MPS to improve performance, raise effectiveness and drive further savings in the back office.
- 4.13 The MPS has plans to drive further savings and transformation across commercial contracts, ICT and digital investment and estates. MOPAC’s budget includes plans for further streamlining systems and processes, reducing administrative costs, plus continuous improvement in our commissioning practices to secure best value, including matched funding from other bodies where appropriate.

New Initiatives and net change in existing services

- 4.14 The Mayor is proposing that the net change in MOPAC’s expenditure on new initiatives and existing services is £122.4 million. This relates to investment in a number of corporate IT systems, costs of the MPS’s response to recent public inquiries, costs of redundancies and transition costs for the new BSS contract.
- 4.15 As was set out in the Mayor’s Consultation Budget there is also £122.3 million of expenditure that will be funded from reserves in 2016-17. This has now been allocated to the appropriate business groups in the objective analysis table above.

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

- 4.16 The spending review settlement has allowed the Mayor to continue to invest in transformation across the MPS and MOPAC’s commissioning, whilst prioritising investment in the front line. The commitment to 32,000 officers in 2016 is maintained, alongside the commitment for one PC and one PCSO in each ward.

Single-Tier Pension Costs

- 4.17 The budget incorporates a provision of £47.2 million for the forecast additional employer National Insurance contributions due to the Government’s introduction of the single-tier pension system that comes into force in April 2016.

Changes in Government grants

- 4.18 Overall the Mayor is forecasting that MOPAC will see an increase in Government grants to support policing of £16.5 million in 2016-17. He anticipates that MOPAC will further be able to benefit from Home Office specific grants when they are announced.
- 4.19 Further details on the MOPAC general grant allocation announced in the provisional police grant settlement on 17 December 2015 are set out in Appendices H and I.

Change in budgeted use of reserves

- 4.20 The budget proposes a net change in the budgeted use of reserves of £51.9 million when comparing the revised 2015-16 budget with the 2016-17 budget.

Equalities

- 4.21 Throughout the planning process Business Groups have considered the impact they have on internal and external communities and therefore develop activities that reflect MOPAC and the MPS’s commitment to equality and diversity issues. In doing so consideration has been given to all Equality Groups, the details of which will form part of the more detailed proposals.

Environmental impact

- 4.22 The planning framework will help to ensure that environmental sustainability issues are properly reflected in future plans and budgets.

Reserves

- 4.23 At 31 March 2016 the Mayor forecasts that MOPAC’s general reserves balance will total £46.6 million. This level of general reserves is forecast to be maintained as at 31 March 2019.
- 4.24 As part of the MPS’s transformation strategy and investment in new IT, the balances on MOPAC’s earmarked reserves are forecast to reduce annually from £184.1 million as at 31 March 2016 to £35.2 million at March 2019, striking a careful balance between investment and maintenance of prudent levels.

Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

Movement in reserves During Financial Year	Outturn	Forecast	Budget	Plan	Plan
	2014-15	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Opening balances	403.4	419.4	230.7	108.4	82.3
Transfers to/from:					
Earmarked reserves	16.0	-188.7	-122.3	-26.1	-0.5
General reserves	0.0	0.0	0.0	0.0	0.0
Closing balances	419.4	230.7	108.4	82.3	81.8

4.25 The expected total reserves at the end of each financial year are summarised below:

Total MOPAC reserves at end of financial year	Outturn	Forecast	Budget	Plan	Plan
	2014-15	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Earmarked reserves	372.8	184.1	61.8	35.7	35.2
General reserves	46.6	46.6	46.6	46.6	46.6
Total	419.4	230.7	108.4	82.3	81.8

Section 5 – London Fire and Emergency Planning Authority (LFEPA)

Introduction

- 5.1 The London Fire and Emergency Planning Authority (LFEPA) is responsible for fire and rescue services in London and it supports the London boroughs in their emergency planning role.
- 5.2 LFEPA's key priorities, as set out in the Fifth London Safety Plan (LSP5), are to:
- promote community safety and fire prevention activity to mitigate the risk to communities in London;
 - make sure that buildings in London conform to the appropriate fire safety standards in order to protect Londoners and visitors to London;
 - get resources to emergency incidents as quickly as possible, maintaining and improving where possible, their performance against their standards of attendance for first and second appliances; and
 - deliver services in a cost effective way.

Key deliverables

- 5.3 The London Safety Plan is the Authority's Integrated Risk Management Plan (IRMP) as required by the government's national framework for the fire and rescue service and the commitments within it form an action plan which is updated annually.
- 5.4 LSP5 set out headline performance targets and these will be updated for 2016-17 but the aim will remain to:
- reduce fires in the home, care homes, sheltered housing and in non-domestic buildings;
 - carry out home fire safety visits;
 - reduce fire related fire deaths;
 - reduce all outdoor rubbish fires and all outdoor rubbish fires;
 - reduce false alarms from automated systems in non-domestic buildings; and
 - reduce the shut-in-lift incidents attended.
- 5.5 Work to develop the Sixth London Safety Plan (LSP6) is underway, but officers view is that the detailed consideration of LSP6 would be better after a new Mayor is in place (May 2016). This would also allow the opportunity for a new Commissioner (to be appointed during 2016) to consider the risk profile for London.
- 5.6 LSP6 will also include a considerable programme of consultation and engagement activity based on experience in developing LSP5 leading to a timetable for LSP6 to be in place by April 2017.

Section 5 – London Fire and Emergency Planning Authority (LFEPA)

Gross revenue and capital expenditure

5.7 The Mayor is proposing an increase in LFEPA's combined capital and revenue budget for 2016-17 of some £22.9 million. **Gross revenue expenditure by LFEPA is set to decrease by £0.1 million to £425.2 million in 2016-17 compared to the revised budget for 2015-16 of £425.3 million.** **LFEPA's planned capital expenditure in 2016-17** represents an increase of around £20.2 million to **£58.8 million** compared with the 2015-16 forecast outturn position.

5.8 The Mayor's proposed Capital Plan for LFEPA is set out in Section 9 as part of the Group-wide Capital Spending Plan and the Mayor's revenue budget for LFEPA is described below.

Net revenue expenditure and council tax requirement

5.9 After deducting fees, charges, and other income and use of reserves from LFEPA's gross revenue expenditure of £425.2 million, the Mayor proposes that its **net expenditure for 2016-17 will be £392.5 million. The Mayor also proposes that the council tax requirement for LFEPA is £138.2 million.**

5.10 The Mayor's proposed revenue budget for LFEPA is set out below on an objective basis.

LFEPA – Objective Analysis

Objective Analysis	Revised	Forecast	Budget	Plan	Plan
	Budget				
	2015-16	2015-16	2016-17	2017-18	2018-19
Community safety	33.3	32.7	32.6	33.4	33.9
Fire fighting and rescue	328.5	323.3	333.6	346.3	351.5
Fire-fighter pensions	21.9	21.5	21.9	22.5	23.0
Emergency planning	0.8	0.8	0.8	0.8	0.8
Central services	0.4	0.4	0.4	0.4	0.4
London Resilience Team	0.4	0.4	0.4	0.4	0.4
Savings to be required	0.0	0.0	-6.4	-17.6	-25.1
Net service expenditure	385.3	379.1	383.3	386.2	384.9
Capital financing costs	10.0	10.0	9.8	9.8	11.1
External interest receipts	-0.5	-0.5	-0.5	-0.8	-0.8
Net revenue expenditure	394.8	388.6	392.5	395.2	395.2
Transfer to/(from) general reserves	0.8	7.0	2.7	0.0	0.0
Financing requirement	395.6	395.6	395.2	395.2	395.2
Financed by:					
Specific grants	13.2	13.2	12.8	12.8	12.8
Revenue support grant	129.4	129.4	128.5	112.0	100.1
Retained Business Rates	114.7	114.7	115.7	132.2	144.1
Council tax requirement	138.2	138.2	138.2	138.2	138.2

Section 5 – London Fire and Emergency Planning Authority (LFEPA)

Explanation of budget changes

- 5.11 An analysis of the year on year movement in the Mayor’s proposed council tax requirement for LFEPA compared to the Mayor’s revised budget for 2015-16 is set out below. An explanation of the year on year changes is provided in the paragraphs that follow. In addition, Appendix C sets out a subjective analysis of the Mayor’s proposed budget for LFEPA.

Changes in the LFEPA’s council tax requirement	£m
2015-16 council tax requirement	138.2
<i>Changes due to:</i>	
Inflation	4.7
Savings	-0.5
Efficiencies	-4.6
Change in use of reserves	-4.3
Net Change in Government grants and retained rates	0.4
Single tier pension costs	5.7
Other adjustments	5.1
Savings to be required	-6.4
2016-17 council tax requirement	138.2

Inflation

- 5.12 The Budget proposes that LFEPA make provision for inflation of £4.7 million in 2016-17.

Savings and Efficiencies

- 5.13 The Budget proposes that LFEPA make savings of £0.5 million and efficiencies of £4.6 million for 2016-17. LFEPA has agreed a budget submission to the Mayor that includes £8.1 million to be found through further change proposals, less the removal of a £1.7 million budget pressure in light of the FBU’s decision to suspend strike action in the pensions’ dispute until at least June 2017. This leaves savings to be found of £6.4 million, and LFEPA is consulting on two options to address this.

Change in use of reserves

- 5.14 The Budget proposes that in 2016-17 LFEPA will have a change in use of balances of £4.3 million compared to the like for like 2015-16 position. This is represented by a contribution to the reserve in 2015-16 of £7 million, a further contribution to the reserve of £2.8 million in 2016-17 (assuming no decision is taken to use this additional funding as part of the 2016-17 budget) and a draw on the reserve of £0.1million in 2016-17 in support of net service expenditure.

Change in Government Grants and Retained Business Rates

- 5.15 The Mayor has provisionally planned that LFEPA’s funding from Council Tax, Retained Business Rates, and Revenue Support Grant will total £382.4 million in 2016-17. In addition, LFEPA is forecast to receive £12.8 million of specific government grants – resulting in total funding being made available by the Mayor of £395.2 million.

Section 5 – London Fire and Emergency Planning Authority (LFEPA)

- 5.16 The Mayor is proposing therefore that LFEPA will receive £115.7 million in funding via rates retention in 2016-17. This is an increase of around £1m or 0.8 per cent compared to 2015-16. The revenue support grant allocation for LFEPA is £1 million lower than in 2015-16 which offsets the impact of the rates retention uplift. Forecast specific grant income is £0.4 million lower.
- 5.17 Therefore, the Mayor’s proposed budget for 2016-17 of £395.2 million provides additional support to LFEPA to offset the impact of the additional cuts in the former fire formula grant component of the GLA’s revenue support grant allocation.

Single tier pension costs

- 5.18 The budget incorporates £5.7 million for the cost of the removal of the National Insurance rebate.

Other Adjustments

- 5.19 There are £5.1 million of other adjustments in the Mayor’s proposed LFEPA budget, which includes an increase in the Property PFI unitary payment as the remaining new stations are completed.

Savings to be required

- 5.20 The total savings requirement for LFEPA in 2016-17 is £6.4 million. It is intended that the savings will be determined following the results of the Consultation being reported to and considered by the Authority in February 2016. The latest position will be reported to the Assembly at its meeting on 22 February 2016 as part of the Mayor’s final budget proposals.

Equalities

- 5.21 An equality impact analysis for savings made as part of development of the budget was completed and considered as part of LFEPA’s budget formulation and decision making processes.

Environmental impact

- 5.22 LFEPA has reviewed the savings proposals for sustainability and environmental implications with consideration of the Mayor’s strategies to promote improvement of the environment as part of LFEPA’s decision-making process.

Reserves

- 5.23 As reported to LFEPA’s Resources Committee on 14 January, 2016 it is anticipated that there will be additional funds of £2.8m available in 2016-17. If no decision is taken to use this additional funding as part of next year’s budget LFEPA’s general reserve is expected to total £17.9 million as at 31 March 2017. This is £2.8 million higher than set out in the Mayor’s Budget Consultation Document on 21 December 2015. At this stage in the budget process it is assumed that this higher level of general reserve is maintained through to March 2019.

Section 5 – London Fire and Emergency Planning Authority (LFEPA)

- 5.24 In addition, it is forecast that LFEPA will hold £11.1 million of earmarked reserves at 31 March 2016. Earmarked reserves are forecast to fall to £11.0 million at 31 March 2017 and remain at that level to 31 March 2019. The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves During Financial Year	Outturn	Forecast	Budget	Plan	Plan
	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Opening balances	19.5	19.2	26.2	28.9	28.9
Transfers to/from:					
Earmarked reserves	-2.7	4.6	-0.1	0.0	0.0
General reserves	2.4	2.4	2.8	0.0	0.0
Closing balances	19.2	26.2	28.9	28.9	28.9

- 5.25 The expected total reserves at the end of each financial year are summarised below:

Total LFEPA reserves at end of financial year	Outturn	Forecast	Budget	Plan	Plan
	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Earmarked reserves	6.5	11.1	11.0	11.0	11.0
General reserves	12.7	15.1	17.9	17.9	17.9
Total	19.2	26.2	28.9	28.9	28.9

Section 6 – Transport for London

Introduction

- 6.1 Transport for London (TfL) is responsible for the planning, delivery and day-to-day operation of the Capital's public transport system, including London's buses, Underground and Overground, the Docklands Light Railway (DLR), Tramlink and London River Services. It is also responsible for managing the Congestion Charge, maintaining London's main roads and traffic lights, regulating taxis, making London's transport more accessible and promoting walking and cycling initiatives.

Key deliverables

- 6.2 Full details of TfL's priorities are set out in its business plan which was published in December 2014. TfL's key deliverables over the next decade, include:
- investing £200 million in bus priority schemes;
 - making 95 per cent of all bus stops in London accessible by 2017;
 - delivering 800 New Routemaster buses by 2016;
 - investing £913 million to support the Mayor's Cycling Vision through creating safer junctions across London, major segregated cycle routes, a network of Quietways on less busy streets and other far-reaching improvements;
 - reducing the number of people killed or seriously injured on London's roads by 40 per cent by 2020;
 - introducing a new 24-hour Tube service at weekends in 2016;
 - investing £250 million in step-free stations to contribute to meeting the Mayoral target of over 50 per cent of Rail & Underground stations being step-free by 2018. In addition to this the £150 million step-free match funding will make approximately a dozen stations step-free over the next 10 years;
 - implementing new signalling on the Underground's 'sub surface' lines, providing increased capacity and reliability as part of the Four Lines Modernisation programme;
 - upgrading Victoria, Bond Street, Bank, Tottenham Court Road and Finsbury Park stations;
 - delivering the Northern Line Extension to Battersea via Nine Elms;
 - making a £4 billion investment in London's roads between now and 2021-22;
 - electrifying the Gospel Oak–Barking London Overground line and extending it to serve a new station at Barking Riverside;
 - increasing capacity by 50 per cent on the Trams on the Wimbledon to Croydon line; and

Section 6 – Transport for London

- continuing to deliver the Crossrail service linking east and west London from 2018, radically cutting journey times and reducing congestion.

Gross revenue and capital expenditure

- 6.3 The Mayor proposes that **TfL's total gross expenditure budget for 2016-17** is to be reduced by £70.6 million from £7,034.8 million to **£6,964.2 million**, including the impact of the Spending Review of £240 million. This takes into account inflation, including bus contract and wage inflation, incremental efficiencies and an increase in the debt service provision due to greater levels of borrowings to provide for capital investment. In addition, **total capital expenditure is planned to be £3,581.2 million** which is £485 million lower in 2016-17 than the 2015-16 forecast outturn of £4,066.2 million.
- 6.4 The Mayor's proposed Capital Plan for TfL is set out in Section 9 as part of the Group-wide Capital Spending Plan and more details are included in that section on TfL's capital expenditure. The Mayor's proposed budget for TfL is summarised on an objective basis below.
- ### **Net revenue expenditure and council tax requirement**
- 6.5 After deducting fare income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's **net revenue expenditure for 2016-17 is £1,250.3 million**. An analysis of the revenue budget by service area is summarised in the table overleaf.
- 6.6 The Mayor is proposing that TfL's council tax requirement for 2016-17 is £6 million. The balance of its net revenue expenditure is financed by £854.3 million of resources allocated by the Mayor through business rates retention and £435.7 million via the general element of the GLA transport grant and £30.1 million through other specific revenue grants from the Department for Transport (DfT).

Section 6 – Transport for London

TfL Service Analysis	Revised Budget	Forecast	Budget	Plan	Plan
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Income					
Traffic Income	-4,639.7	-4,592.5	-4,958.4	-5,249.9	-5,699.6
Congestion Charge	-172.2	-170.8	-171.1	-170.0	-191.4
Other Income	-451.4	-470.3	-527.8	-568.0	-589.0
Interest Income	-22.9	-22.7	-38.1	-34.4	-31.7
Subtotal income	-5,286.2	-5,256.3	-5,695.4	-6,022.3	-6,511.7
Operating costs					
London Underground and Tube Lines	2,348.4	2,315.9	2,356.4	2,337.9	2,339.9
Surface Transport	2,955.7	2,908.8	3,057.2	3,173.8	3,300.6
London Rail	557.2	552.7	586.2	627.5	822.6
Corporate Directorates	760.5	732.4	725.8	721.2	740.8
London Transport Museum	12.0	12.1	12.3	12.7	13.1
Subtotal operating costs	6,633.7	6,522.0	6,738.0	6,873.2	7,216.9
Other					
Third-party contributions	-17.4	-20.7	-18.6	-18.7	-18.1
Debt servicing	401.1	377.7	452.5	527.6	578.0
Group items	-34.4	-36.7	13.7	47.0	-24.5
Subtotal other	349.3	320.3	447.7	555.8	535.4
2015 Spending Review reduction to be allocated	0.0	0.0	-240.0	-471.0	-696.5
Net services expenditure	1,696.8	1,586.0	1,250.3	935.7	544.0
Revenue resources used to support capital investment	-174.7	-178.4	75.8	192.0	387.9
Financing requirement	1,522.2	1,407.6	1,326.1	1,127.7	932.0
Financed by:					
GLA Transport grant (general element)	639.5	591.4	435.7	216.7	0.0
Other Specific grants	29.2	37.7	30.1	31.1	32.0
Retained business rates	847.5	772.5	854.3	873.9	894.0
Council tax requirement	6.0	6.0	6.0	6.0	6.0

Note: The reductions to the GLA transport grant in the above table reflect the profiled reductions outlined in the Spending Review announced in November 2015.

Explanation of budget changes

- 6.7 An analysis of the year on year movements in the Mayor's proposed council tax requirement for TfL is set out below and an explanation of each change is detailed in the paragraphs that follow. Appendix D sets out further details including a subjective analysis of TfL's budget and the application of net congestion charge revenue.

Section 6 – Transport for London

Changes in the TfL's council tax requirement	£m
2015-16 council tax requirement	6.0
<i>Changes due to:</i>	
Inflation*	160.6
Savings and Efficiencies	-149.0
Fares, charges and other income changes	-339.8
New initiatives and service improvements (capital investment and net operational increases/decreases)	34.1
Changes in Government revenue grants	202.9
Change in retained business rates	-6.8
Other adjustments	98.0
2016-17 council tax requirement	6.0

* TfL does not separately account for inflation and so the numbers in this table are an estimate of the changes were the effects of inflation to be isolated. The paragraphs below reference the figures in the table above. These figures are an estimate of the year-on-year change with the effect of inflation isolated. TfL figures in this budget document have inflation included and may differ from the figures quoted in the above table.

Inflation

- 6.8 The Budget proposes that TfL will increase net costs by £160.6 million for inflation.

Fares charges and other income

- 6.9 The Mayor has agreed an overall freeze on TfL fares in real terms relative to the one per cent annual increase in the Retail Price Index (RPI), in the benchmark month of July 2015. A number of fares, including single bus fares and all but two pay as you go single Tube fares, will be frozen. Travelcard season ticket prices will increase on average, by slightly less than one per cent, in January 2016.
- 6.10 The 2015-16 fare package included a significant restructuring of one day fares to make it fairer for part-time commuters or people on zero hours contracts who could previously pay significantly more per day than Travelcard season holders. The lower all day pay as you go caps are now benefitting over 200,000 part-time commuters a day.
- 6.11 TfL is increasingly covering its operating costs from fares and other income. TfL also has ambitious plans to generate £3.4 billion in non-fares commercial revenue by 2023 to reinvest in London's transport, supporting jobs and economic growth.

Savings and efficiencies

- 6.12 The Mayor has proposed that TfL make additional efficiencies of £149.0 million in 2016-17.

Section 6 – Transport for London

New initiatives and service improvements

- 6.13 The Budget includes £34.1 million of new initiatives and service improvements. This primarily reflects the full year impact of TfL assuming responsibility for West Anglia and TfL Rail services from Liverpool Street.

Changes in grants

- 6.14 TfL's overall income from Government grants, including the impact of the grant reductions set out in the Chancellor's November Spending Review, is forecast to decrease by £202.9 million in 2016-17. This reflects the £240 million reduction in TfL's revenue grant for 2016-17.
- 6.15 As at 31 March 2015, the deficit on the GLA Group wide business rates retention scheme was £118 million. This is the difference between the aggregate sums passported in the Mayor's budgets for 2013-14 and 2014-15 and the final audited sums received from the 33 London billing authorities. TfL has received around 85 per cent of the funding allocated to the functional bodies by the Mayor under this scheme and as a result its notional share of the deficit is some £100 million.
- 6.16 The GLA dampened the recovery amount from TfL by 25 per cent to £75 million and this will be made as a technical adjustment to TfL's business rates instalments for 2015-16. This will result in an overall 2015-16 business rates retention allocation of £772.5 million. The current Mayor's intention is that future growth in business rates income, as and when it materialises, will be used to reimburse TfL for the cost of this clawback.
- 6.17 The Mayor has allocated £854.3 million in rates retention funding in 2016-17 to TfL. This represents an increase of 0.8 per cent in line with September 2015 RPI compared to the original 2015-16 allocation of £847.5 million.

Other adjustments

- 6.18 The Budget incorporates other adjustments to TfL's budget totalling £98.0 million which include changes in debt servicing and the movement in revenue resources to support capital investment.

New schemes

- 6.19 The 2014 Business Plan presents a balanced and affordable capital expenditure budget to the end of 2020-21. During the course of the year, projects are monitored and the implications of slippage or bringing expenditure forward are reflected in TfL's borrowing and balances. This allowed, before the Spending Review, the adoption of the following new spending areas within the Business Plan period. The impact of the Spending Review on the Business Plan and these schemes is now under review.
- TfL Growth Fund - £300m;
 - Air quality - £100m;
 - Station accessibility - £75m;
 - Old Oak Common stations - £250m;

Section 6 – Transport for London

- Sutton tram extension - £100m;
- Road safety - £20m;
- Cycling infrastructure - £100m;
- Cycle hire integration with the rest of the public transport network - £105m; and
- Roads and Traffic Policing Command - £25m.

6.20 The impact of the CSR on TfL is to reduce the overall resources available to them by some £2.8 billion over the five year period to 2020-21. In view of the scale of this reduction TfL are reviewing their spending plans and will publish a revised Business Plan incorporating the impact of the CSR announcement in March 2016.

Equalities

6.21 As part of the approval process for its latest Business Plan, TfL produced and considered an Equalities Impact Assessment (EqIA). TfL will undertake a comprehensive review when updating the Business Plan during 2016 to ensure equality implications continue to be assessed.

Environmental impact

6.22 TfL plays an important role in managing the environmental impacts in London by providing social and economic value while reducing their impact on the local and global environment. TfL will continue to drive environmental performance and will continue to monitor and report on key environmental metrics each year, including their significant efforts to reduce carbon and air pollutant emissions. TfL crucially operates a reliable, high capacity network offering lower polluting services including trains, buses, cycling and walking.

Reserves

6.23 At 31 March 2016 TfL's general reserves balance is estimated to total £150.0 million. This balance is forecast to remain constant through to 31 March 2019. In addition, TfL estimates that it will hold £825.2 million of earmarked reserves at 31 March 2016 which is estimated to decrease to nil at 31 March 2019. This is based on TfL's planned profile of expenditure to March 2019.

6.24 Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended over the period to 31 March 2019 on a number of major capital programmes as part of TfL's Investment Programme.

Section 6 – Transport for London

- 6.25 TfL maintains a general fund to ensure liquidity and protect from short-term effects which may arise from the crystallisation of specific risks. The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves During Financial Year	Outturn 2014-15 £m	Forecast 2015-16 £m	Budget 2016-17 £m	Plan 2017-18 £m	Plan 2018-19 £m
Opening balances	2,126.2	1,884.8	975.2	513.1	509.3
Transfers to/from:					
Earmarked reserves	-234.8	-909.6	-462.1	-3.8	-359.3
General reserves	-6.6	0.0	0.0	0.0	0.0
Closing balances	1,884.8	975.2	513.1	509.3	150.0

- 6.26 The expected total reserves at the end of each financial year are summarised below:

Total TfL reserves at end of financial year	Outturn 2014-15 £m	Forecast 2015-16 £m	Budget 2016-17 £m	Plan 2017-18 £m	Plan 2018-19 £m
Earmarked reserves	1,734.8	825.2	363.1	359.3	0.0
General reserves	150.0	150.0	150.0	150.0	150.0
Total	1,884.8	975.2	513.1	509.3	150.0

Section 7 – London Legacy Development Corporation

Introduction

- 7.1 The London Legacy Development Corporation (“the Legacy Corporation”) is responsible for promoting and delivering the physical, social, economic and environmental regeneration of Queen Elizabeth Olympic Park and the surrounding area. In particular, the Legacy Corporation aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control.
- 7.2 Since the London 2012 Olympic and Paralympic Games, the Legacy Corporation has been working to transform the Park and venues from their Olympic to their legacy configuration. The Copper Box Arena, Timber Lodge, North Park and Aquatics Centre re-opened by March 2014. The ArcelorMittal Orbit and re-modelled South Park opened in April 2014 and the Stadium will re-open permanently in summer 2016 (following a successful temporary re-opening for a series of events in summer 2015, including Rugby World Cup matches).
- 7.3 Alongside its operational mobilisation, the Legacy Corporation’s wider role in creating a great place and creating opportunities for local people will assume ever greater importance. The Corporation will work in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. This includes delivering the Mayor’s Olympicopolis vision, new social and transport infrastructure, and working with the host boroughs and other partners to create economic opportunity and support local people and businesses, as they seek to access it.

Key deliverables

- 7.4 During the period to 2016-17, the Legacy Corporation’s revenue and capital budgets will be deployed to deliver the following strategic objectives:
- Progression of residential developments, such as Chobham Manor, East Wick and Sweetwater and development strategies for Stratford Waterfront and Pudding Mill Lane;
 - Progression of masterplans and submission of outline planning application for Olympicopolis
 - Phased opening of East Wick School and construction start on the David Ross Education Trust (DRET) London Free School;
 - Commencement of improvement works to infrastructure at Stratford and Hackney Wick Stations and completion of Twelvetrees and Wallis Road Bridge ramps;
 - Phased opening of Here East – the former press and broadcast centre;
 - Permanent re-opening of the stadium in the summer of 2016 in time for the 2016-17 football season;
 - Achieve Park visitor number forecast of 5.5 million;

Section 7 – London Legacy Development Corporation

- Host major sports events including UCI Track Cycling, European Aquatics Championships; World Track Cycling Championships; Women's Champions Hockey Trophy; Sport Relief; and Meet the Future; and
- Exceed targets for Motivate East inclusive sport project, Active People Active Park and Sport and Health.

Olympicopolis

- 7.5 The Olympicopolis vision brings together the world class cultural and education institutions of Sadler's Wells, University of the Arts London (UAL), University College London (UCL), the Victoria & Albert Museum (V&A), and potentially also the Smithsonian Institute on the Park to create an arts and education quarter that will create 3,000 jobs in the area and attract 1.5 million visitors a year. The £1.3 billion programme is funded through a combination of Government funding, contributions from partners, receipts from the sale of residential developments, philanthropic donations and GLA funding. The Foundation for Future London (FFL), an independent charity, has been established to secure the philanthropic funding as well as to forge links with local communities so that they benefit in the long term from the creation of new jobs and the realisation of new cultural and educational opportunities. In 2016-17 LLDC will work with partners and funders, as well as the local community to ensure that these exciting new developments for the Park are on track to commence construction from 2018. LLDC's programme assurance capability is being strengthened and the programme will continue to progress legal agreements with each of the partners.
- 7.6 The proposed budgets for Olympicopolis are reflected in the Capital Plan (at Table 2, Appendix E) which includes £46.1million in 2016-17. Total Government funding for the project of £152 million was confirmed in the Chancellor's Autumn Statement. The implications of LLDC supporting this major complex development programme have been reflected in the staffing and associated revenue budget (at Table 1 of Appendix E).

Gross revenue and capital expenditure

- 7.7 **The Mayor's proposed gross revenue expenditure in 2016-17 is £40.8 million, an increase of £0.3million from 2015-16. The Mayor's proposed Capital Programme for the LLDC totals £106.5 million in 2016-17** and is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix E. This is £32.7 million lower than in 2015-16 due to reduction in stadium transformation expenditure reflecting that the works complete early in 2016-17.

Net revenue budget and council tax requirement

- 7.8 The Mayor's proposed revenue expenditure for LLDC net of income in 2016-17 is £36.0 million, a reduction of £3.6 million, reflecting savings and efficiencies along with an increase in income generated from the fixed estate charge and rental income as residential and commercial occupation of the Park increases.
- 7.9 After deducting fees, charges, the agreed contribution from the GLA, other income and planned use of reserves, **the Mayor proposes a nil council tax requirement for LLDC.**

Section 7 – London Legacy Development Corporation

- 7.10 LLDC's revenue budget is summarised below on an objective basis. This includes capital financing costs to service borrowing but this has a net nil impact as the funding is being provided by the GLA. A subjective analysis is set out in Appendix E.

LLDC – Objective Analysis

Objective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget				
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Park Opening and Operations	11.2	12.1	10.6	10.9	11.2
Real Estate and Regeneration	3.5	3.3	2.9	2.8	1.7
Corporate	17.1	16.7	14.5	14.7	14.6
Planning Authority	0.8	1.0	1.1	1.1	1.0
Irrecoverable VAT and contingency	1.7	1.7	0.8	0.3	0.0
Financing costs	6.3	8.2	10.9	11.6	13.0
Total expenditure	40.5	42.9	40.8	41.3	41.4
Real estate and regeneration income	-0.1	0.0	-0.2	-0.3	-0.6
Park and venues income	-1.7	-1.6	-3.3	-5.1	-5.8
Planning authority income	-0.8	-1.3	-1.1	-1.1	-1.0
Other income	-0.4	-0.4	-0.3	-0.2	0.0
Total income	-3.0	-3.3	-4.8	-6.6	-7.4
Net expenditure	37.5	39.6	36.0	34.7	34.0
Use of reserves	-14.2	-14.4	-7.9	0.0	0.0
Net expenditure after use of reserves	23.3	25.2	28.1	34.7	34.0
GLA Funding for core activities	17.0	17.0	17.2	14.0	14.0
GLA Funding for financing costs	6.3	8.2	10.9	11.6	13.0
Funding/savings to be identified	0.0	0.0	0.0	9.1	7.0
Council tax requirement	0.0	0.0	0.0	0.0	0.0

Explanation of budget changes

- 7.11 Changes to the Legacy Corporation's budget reflect the changing scope of the organisation's work during its start-up period, the resource requirements to support the Olympicopolis programme and the cost of managing the Park and venues, alongside targeted savings and efficiencies.
- 7.12 An analysis of the year on year movement in the council tax requirement is set out below.

Section 7 – London Legacy Development Corporation

Changes in the LLDC's council tax requirement	£m
2015-16 council tax requirement	0.0
<i>Changes due to:</i>	
Inflation	0.3
Savings	-4.3
Efficiencies	-4.9
New initiatives and service improvements	2.8
Change in use of reserves	6.3
Net Change in GLA core grant	-0.2
2016-17 council tax requirement	0.0

Inflation

- 7.13 External contracts include negotiated provisions for inflation. Staff costs increase in line with public sector pay guidelines with inflation of 1 per cent (which on net revenue staff costs equates to £0.1 million).

Savings and efficiencies

- 7.14 The Budget proposes savings and efficiencies of £4.3 million and £4.9 million respectively in 2016-17. These include increasing fixed estate charge and rental income, savings on sports and event programming, one-off savings on accommodation costs and savings on park management offset by a specific security contingency to address the heightened security environment.

New initiatives and service improvements

- 7.15 Areas where the Legacy Corporation's expenditure will grow include additional costs of reactive maintenance and utilities on venues and additional planning support in relation to Olympicopolis totalling £2.8 million in 2016-17.

Change in use of reserves

- 7.16 During 2015-16, the Legacy Corporation expects to draw down £14.4 million of revenue reserves, bringing the balance to £7.9 million as at 1 April 2016. The Corporation anticipates making considerable savings in 2016-17; however, remaining reserves of £7.9m will be drawn down in full in 2016-17. As the Corporation's principal funder revenue reserves will be held by the GLA in the Mayor's component budget.

Changes in Government grants

- 7.17 The Legacy Corporation receives its revenue funding via the GLA and the Mayor proposes to increase this by £0.2million in 2016-17 to £17.2 million. There is a planned reduction in funding in future years, but this is subject to further review pending consideration of further efficiencies in Park management and venue operations and the successful commercial exploitation of Park assets.

Section 7 – London Legacy Development Corporation

Equalities

- 7.18 To support the development of LLDC's new 5 Year Strategy, and in recognition of the considerable additional investment associated with the Olympicopolis project which is outside of the scope of the original Legacy Communities Scheme (LCS), LLDC has undertaken a new Strategic Equality Impact Assessment.

Environmental impact

- 7.19 The Legacy Corporation's policy is that the Park will use the best of the Games' infrastructure, innovation and inspiration, to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure. The Park was conceived as an environmental showcase and will continue to strive for environmental excellence. The Corporation has set a wide range of environmental performance measures and will publish an annual sustainability report.

Reserves

- 7.20 At 31 March 2015 LLDC's general reserves balance was £22.2 million. This balance is forecast to fall to £7.9 million by 31 March 2016 and decrease to zero by the end of 2016-17. The Mayor is not expecting LLDC to hold any earmarked revenue reserves. The expected movements in reserves over the planning period are set out in the table below.

Movement in LLDC reserves During Financial Year	Outturn	Forecast	Budget	Plan	Plan
	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Opening balances	17.5	22.2	7.9	0.0	0.0
Transfers to/from:					
Earmarked reserves	0.0	0.0	0.0	0.0	0.0
General reserves	4.7	-14.4	-7.9	0.0	0.0
Closing balances	22.2	7.9	0.0	0.0	0.0

- 7.21 The expected total reserves at the end of each financial year are summarised below:

Total LLDC reserves at end of financial year	Outturn	Forecast	Budget	Plan	Plan
	2014-15 £m	2015-16 £m	2016-17 £m	2017-18 £m	2018-19 £m
Earmarked reserves	0.0	0.0	0.0	0.0	0.0
General reserves	22.2	7.9	0.0	0.0	0.0
Total	22.2	7.9	0.0	0.0	0.0

Section 8 – Old Oak and Park Royal Development Corporation

Introduction

8.1 A new Mayoral Development Corporation (MDC) for the Old Oak Common and Park Royal area came into operation on 1 April 2015. The new High Speed 2 (HS2), Crossrail and Great West Mainline stations at Old Oak Common will provide the impetus for a once in a lifetime regeneration opportunity in that part of West London. The OPDC, utilising its planning and regeneration powers, will ensure that all these benefits are captured and maximised to deliver much needed jobs and homes in London. As the OPDC is a functional body of the GLA under the GLA Act it is required to have its own approved component budget and statutory council tax requirement.

Key Deliverables

- 8.2 OPDC's planning framework was approved and adopted by the Mayor on 4 November 2015. The Opportunity Area Planning Framework aims to:
- create a new urban neighbourhood at Old Oak, supporting a minimum of 24,000 new homes and an additional 1,500 in non-industrial locations in Park Royal;
 - support the creation of 55,000 new jobs at Old Oak and a further 10,000 at Park Royal;
 - protect and enhance Park Royal as a strategic industrial location;
 - ensure new development safeguards at nearby amenity assets such as Wormwood Scrubs and the Grand Union Canal; and
 - work with communities, residents and businesses to realise the strategy.

Gross revenue and capital expenditure

8.3 The Mayor's proposed gross revenue expenditure for the OPDC in 2016-17 is **£5.5 million**.

Net revenue budget and council tax requirement

8.4 After deducting planning application fees and charges and its allocated contribution from the GLA, **the Mayor's proposed net expenditure and council tax requirement for the OPDC in 2016-17 is NIL**. Its revenue budget is summarised below on an objective basis.

Section 8 – Old Oak and Park Royal Development Corporation

OPDC – Objective Analysis

Objective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget				
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Strategy and Programme	1.1	1.6	2.9	3.5	3.5
Planning	1.6	1.4	1.8	1.2	1.2
Corporate Operations	1.2	1.0	0.8	0.9	0.9
Total expenditure	4.0	4.0	5.5	5.7	5.7
Planning application income	-0.2	-0.2	-0.2	-0.2	-0.2
Total income	-0.2	-0.2	-0.2	-0.2	-0.2
Net expenditure	3.7	3.7	5.4	5.5	5.5
GLA Funding for core activities	3.7	3.7	5.4	5.5	5.5
Council tax requirement	0.0	0.0	0.0	0.0	0.0

Explanation of budget changes

- 8.5 Most changes to the OPDC's budget reflect the changing scope of the organisation's work in its first few years of operation. An analysis of the year on year movement in the council tax requirement is set out below.

Changes in the OPDC's council tax requirement	£m
2015-16 council tax requirement	0.0
<i>Changes due to:</i>	
Inflation	0.0
Savings and efficiencies	0.0
New initiatives and service improvements	1.6
Increase in GLA funding	-1.6
2016-17 council tax requirement	0.0

Inflation

- 8.6 The Budget assumes that external contracts include negotiated provisions for inflation. Staff costs have been increased in line with public sector pay guidelines.

Savings and efficiencies

- 8.7 As the OPDC is in the initial establishment stage no savings and efficiencies are proposed for 2016-17.

New initiatives and service improvements

- 8.8 The Budget proposes new initiatives and service improvements totalling £1.6 million to take forward the Corporation's key deliverables.

Section 8 – Old Oak and Park Royal Development Corporation

Changes in grants

- 8.9 The OPDC receives its revenue funding via the GLA. The total revenue grant made available by the Mayor is £5.4 million in 2016-17 – around £1.6 million higher than in 2015-16.

Equalities

- 8.10 Equality for all is at the centre of the corporate strategy of OPDC which is to improve lives through employability, improved homes and exemplar neighbourhoods. This strategy will have the ability to improve citizen's contribution and access to economic growth. The OPDC's approach to Inclusion is set out in its emerging corporate policies which will be agreed by its Board.

Environmental impact

- 8.11 The OPDC area will benefit from a highly connected network of new and improved streets and open spaces, which will encourage exemplary walking and cycling. Located at the only point where HS2 meets Crossrail, Old Oak and Park Royal will have one of the most connected 'hubs' on the rail network in the country. With a redesigned and improved local bus network, and a significantly transformed road network, sustainable transport will be embedded at the heart of the future masterplan.

Reserves

- 8.12 The OPDC has no reserves at present as its initial establishment and operational expenditure is funded by the GLA from its resources.

Section 9 – Draft Capital Spending Plan and Borrowing Limits

Introduction

9.1 The Mayor is required to prepare a Capital Spending Plan (CSP) every year for each of the GLA's functional bodies. Before issuing his final plan he is required to consult on a draft plan with the Assembly and each functional body under section 123 of the GLA Act. This section sets out the draft capital spending plan which was included as part of the Mayor's consultation budget which met this statutory requirement. Even though the statutory timetable for the submission of the CSP is different from the requirements for the revenue budget, the same timeframe is adopted to assist in the analysis of the overall proposals. The Mayor is also required to set the borrowing limits for the GLA Group – the proposals for which are set out in Appendices A to F for the GLA and each functional body.

Key deliverables

9.2 Set out below is a summary of the key deliverables in the Mayor's CSP:

- increase the supply of affordable homes, delivering 100,000 over the two Mayoral terms and identify new and better approaches to increasing housing supply;
- deliver the transformation of policing's IT infrastructure and estate;
- update and replace LFEPA's vehicle fleet, operational equipment and property portfolio to support and enable a modern fire service for London;
- invest £200 million in bus priority schemes, £913 million in cycling and £4 billion in London's roads;
- continue to deliver Crossrail which will transform rail capacity and journey times and deliver the Northern Line Extension to Nine Elms and Battersea; and
- promote and deliver the regeneration of the Queen Elizabeth Olympic Park and surrounding area, including starting the delivery of Olympicopolis.

Draft Capital Spending Plan

9.3 Set out below is a summary of the Mayor's Draft Capital Spending Plan for 2016-17 which sets out the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act. Further details on the GLA and each functional body's draft plan are set out in Appendices A to F. More details of the key deliverables are set out in this section under each member of the Group and in the relevant Appendices.

Section 9 – Draft Capital Spending Plan and Borrowing Limits

Draft GLA Group Statutory Capital Spending Plan 2016-17 Under Section 122 of the GLA Act

Section		GLA £m	MOPAC £m	LFEPA £m	TfL £m	LLDC £m	OPDC £m
A	Total external capital grants	466.0	34.8	0.3	2,618.7	0.0	0.0
	Opening balance of capital receipts	0.0	0.0	25.9	0.0	0.0	0.0
	Total capital receipts during the year	63.9	473.0	10	115.0	60.1	0.0
	Total capital grants/ receipts	529.9	507.8	36.2	2,733.7	60.1	0.0
B	Minimum s.120(1) grant	0.0	0.0	0.0	0.0	0.0	0.0
	Total borrowings during the year	323.0	0.0	23.4	731.4	0.0	0.0
	Total borrowings	0.0	0.0	0.0	0.0	46.4	0.0
	Total borrowings and credit arrangements	323.0	0.0	23.4	731.4	46.4	0.0
C	Total capital expenditure anticipated during the year	812.1	228.2	58.8	3,581.2	106.5	0.0
	Total credit cover arrangements in respect of requirements of 50(2) and 51(4) Local Government and Housing Act 1989	0.0	0.0	0.0	0.0	0.0	0.0
	Total capital spending for the year	812.1	228.2	58.8	3,581.2	106.5	0.0
D	Funding: capital grants	434.3	34.8	0.3	2,659.0	0.0	0.0
	Funding: capital receipts/reserves	54.8	193.4	35.1	115.0	60.1	0.0
	Funding: borrowings and credit arrangements	323.0	0.0	23.4	731.4	46.4	0.0
	Funding: revenue contributions	0.0	0.0	0.0	75.8	0.0	0.0
	Total funding	812.1	228.2	58.8	3,581.2	106.5	0.0

N.B. Estimates of capital receipts are those made by Functional Bodies

- 9.4 Set out below is a summary of the Mayor's draft Capital Plan to 2018-19 and how this is financed. Overall the GLA Group will be investing around £820.7 million less in 2016-17 than in 2015-16. The majority of this change reflects the tailing off of Crossrail costs and the profiling of the GLA's housing investment programme.

Summary of the Capital Plan Plan 2015-16 to 2018-19	2015-16	2016-17	2017-18	2018-19	4 year Total
	Forecast £m	Plan £m	Plan £m	Plan £m	£m
GLA	1,097.5	812.1	1,073.7	623.1	3,606.4
MOPAC	266.0	228.2	228.3	246.2	968.7
LFEPA	38.6	58.8	49.8	28.1	175.3
TfL	4,066.2	3,581.2	3,280.0	2,631.9	13,559.3
LLDC	139.2	106.5	126.2	356.5	728.4
OPDC	0.0	0.0	0.0	0.0	0.0
Total	5,607.5	4,786.8	4,758.0	3,885.8	19,038.1

Section 9 – Draft Capital Spending Plan and Borrowing Limits

Greater London Authority

9.5 The key elements to the GLA's Capital Plan are, as follows:

- A Housing programme of £464 million in 2016-17 with the priority being to deliver affordable housing for Londoners in line with the Mayor's commitment of 100,000 new affordable homes over his two Mayoral terms. This programme also includes the start of the delivery of the London Housing Bank and Housing Zones;
- Funding of £193.0 million in 2016-17 is forecast to be paid to TfL to fund the Northern Line extension to Battersea. The total estimated cost to the GLA of the project is £1 billion. The GLA is financing the bulk of its NLE contribution by borrowing from the European Investment Bank and having issued an index-linked bond; and
- The other main elements of the GLA's capital programme in 2016-17 are contributions to the LLDC of £46 million and expenditure on Further Education of £35 million.

9.6 Details of the GLA's Capital Plan to 2016-17, together with the financing costs of the Programme, are set out at Appendix A. Details of the GLA's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

MOPAC

- 9.7 MOPAC's capital programme of £228.2 million in 2016-17 is critical to the transformation of policing's IT infrastructure and estate, both of which are vital to delivering the revenue savings programme. The Capital Programme includes funding for the transformation of the estate, investment in the 24 hour borough police stations and public access, technology projects in support of frontline policing and infrastructure modernisation and the vehicle replacement programme.
- 9.8 A detailed summary of MOPAC's Capital Plan to 2018-19, together with the financing costs of the programme, is set out at Appendix B. Details of MOPAC's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

London Fire and Emergency Planning Authority

9.9 The Mayor proposes that LFEPA's Capital Plan should increase by £20.2 million from the current spend forecast of £38.6million in 2015-16 to £58.8 million in 2016-17. The Capital Plan for 2017-18 is £49.8 million. The main elements of LFEPA's Capital Plan for the next two years of £108.6 million are a:

- Programmed replacement of the brigade's fleet of £43.3 million;
- Concessionary arrangements of £23.4 million, relating to provision of the brigade's PFI property project to deliver nine new fire stations; and
- Investment of £34.8 million into a range of operational improvements including the refurbishment of fire stations and other property projects.

Section 9 – Draft Capital Spending Plan and Borrowing Limits

9.10 Details of LFEPA's Capital Plan to 2018-19, together with the financing costs of the Programme, are set out at Appendix C. Details of LFEPA's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

Transport for London

9.11 The main elements of TfL's Capital Plan of £3,581.2 million in 2016-17, are, as follows:

- Crossrail (£1,300 million);
- Four Lines Modernisation (£509 million);
- Capacity Optimisation (£464 million);
- Stations Upgrade (£337million);
- Metropolitan Line Extension (£52 million);
- TfL Road Network (£151million);
- Cycle Superhighways (£35 million);
- Contactless ticketing (£15 million); and
- Customer Experience Projects (£16million).

9.12 The Mayor's investment allows 500 extra buses to be planned over the course of the business plan, which will create additional capacity for an extra 2.9 million customer journeys each week. As part of the Mayor's Cycling Vision, £913 million is being invested, to support the rapidly growing number of cyclists, through creating safer junctions across London, major segregated cycle routes and a network of Quietways on less busy streets.

9.13 As part of the Tube upgrade there will be a new automatic signalling system on the sub-surface lines plus new more spacious trains will increase capacity on the Circle and Hammersmith & City lines by 65 per cent, the District line by 24 per cent and the Metropolitan line by 27 per cent.

9.14 Crossrail is now more than 70 per cent complete, on schedule and within budget. It will add 10 per cent to London's rail capacity. 2016-17 will see the testing of the new Crossrail Trains. The first services, between Liverpool Street and Shenfield began operating last year with full Crossrail services operating from the end of 2019.

9.15 TfL's planned expenditure in 2016-17 is £485 million less than its forecast expenditure in 2015-16. This is largely due to Crossrail investment reducing by £230 million as the scheme nears completion; a reduction of £430 million in Commercial Development capital (which was relating to the one-off Earls Court transaction in 2015-16), offset by increased spend in Rail & Underground on the Four Lines Modernisation programme, increasing capacity and the Northern Line extension investment.

Section 9 – Draft Capital Spending Plan and Borrowing Limits

- 9.16 Details of TfL's Capital Plan to 2018-19, together with the financing costs of the Programme, are set out at Appendix D. Details of TfL's Authorised Limit and Operational Boundary for external debt are also set out at Appendix D.

London Legacy Development Corporation

- 9.17 The Mayor's proposed capital spending plan for the LLDC is £106.5 million in 2016-17. This represents a reduction of £32.7 million compared to 2015-16 reflecting reduced stadium transformation expenditure as the works complete in the summer of 2016-17. The main elements are £50 million being invested in infrastructure to support East Wick and Sweetwater residential scheme, Hackney Wick Station improvements, the completion of the Stadium transformation for permanent re-opening in the summer of 2016, and expenditure of £46 million on Olympicopolis.
- 9.18 Details of LLDC's Capital Plan to 2018-19, together with the financing costs of the programme and the Authorised Limit and Operational Boundary for external debt are set out at Appendix E. The Mayor proposes that capital support to LLDC should be provided as loan funding to bridge the funding gap between the cost of the infrastructure required to enable the development of Queen Elizabeth Olympic Park (including Olympicopolis) and the future receipts from land sales which will enable the LLDC to repay its borrowings. In 2016-17 this is estimated to be £46.4 million, but in 2017-18 LLDC is projected to have a capital surplus of £69.6 million. Further support of £153.5 million is estimated in 2018-19.

Old Oak and Park Royal Development Corporation

- 9.19 The Mayor's proposed capital spending plan for the OPDC in 2016-17 is zero.

Appendix A: Greater London Authority: Mayor and London Assembly

Table 1: Mayor - Subjective analysis

	Revised Budget 2015-16	Forecast Outturn 2015-16	Budget 2016-17	Plan 2017-18	Plan 2018-19
	£m	£m	£m	£m	£m
	Subjective analysis				
Transfer payments to third parties:					
Staff costs	36.0	36.0	36.0	36.0	36.0
Premises costs	16.2	16.2	15.9	17.1	17.3
Supplies and services	69.3	51.3	58.8	53.6	59.5
Financing costs:					
Capital financing costs Crossrail	130.0	130.0	115.3	115.3	115.3
Capital financing costs Non Crossrail	7.0	7.0	9.1	12.1	16.3
Voluntary revenue provision	10.2	10.2	10.5	10.8	8.9
Business rates retention tariff payment	355.7	355.7	358.6	505.3	516.9
Business rates retention levy payment	5.6	5.6	9.4	32.1	45.4
Total revenue expenditure	741.8	723.8	694.6	832.8	867.5
Sales fees and charges	-1.0	-1.0	-1.1	-1.1	-1.1
Rental income	-0.8	-0.8	-0.8	-0.8	-0.8
Crossrail Business rate supplement	-130.0	-130.0	-115.3	-115.3	-115.3
NLE Contributions	0.0	0.0	-2.1	-5.1	-9.8
Interest receivable	-10.4	-14.4	-18.9	-19.6	-21.0
Business rates income applied to fund tariff to CLG	-355.7	-355.7	-358.6	-505.3	-516.9
Business rates income to fund levy payment to CLG	-5.6	-5.6	-9.4	-32.1	-45.4
Total income	-503.5	-507.5	-506.2	-679.3	-710.3
Net cost of services	238.3	216.3	188.4	153.6	157.3
Transfer to/from reserves	66.6	88.6	-101.6	34.6	45.6
Transfer to MRR to fund cost of business rates collection fund deficit	25.6	25.6	72.5	0.0	0.0
Financing requirement	330.5	330.5	159.3	188.2	202.9
Council tax freeze Specific grants	9.5	9.5	0.0	0.0	0.0
Other specific grants	5.1	5.1	4.6	4.6	4.6
Retained business rates	155.9	155.9	95.8	122.1	131.2
Revenue support grant	41.8	41.8	10.0	6.9	6.7
Basic Council tax requirement	118.3	118.3	48.8	54.6	60.4
Collection fund surplus Council tax	-31.0	-31.0	-5.6	-5.6	-5.6
Statutory council tax requirement	87.3	87.3	43.2	49.0	54.8

Appendix A: Greater London Authority: Mayor and London Assembly

Table 2: Assembly - Subjective analysis

	Revised Budget	Forecast Outturn	Budget	Plan	Plan
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Subjective analysis					
Staff costs	6.1	6.1	6.2	6.2	6.2
Supplies and services	1.5	1.5	1.4	1.4	1.4
Total revenue expenditure	7.6	7.6	7.6	7.6	7.6
Total income	-0.4	-0.4	-0.4	-0.4	-0.4
Financing requirement	7.2	7.2	7.2	7.2	7.2
Retained business rates	2.1	2.1	2.1	2.1	2.1
Revenue support grant	2.5	2.5	2.5	2.5	2.5
Council tax requirement	2.6	2.6	2.6	2.6	2.6

Appendix A: Greater London Authority: Mayor and London Assembly

Table 3: GLA's Draft Capital Spending Plan

GLA draft capital plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
Regeneration	55.1	1.9	0.0	0.0
Growing Places Fund	13.6	40.8	22.8	2.8
London Regeneration Fund	0.0	11.6	8.4	0.0
Further Education Capital	16.6	35.0	64.3	32.5
Digital Talent	0.0	1.0	1.0	0.0
Super-Connected Cities	14.0	0.0	0.0	0.0
New Homes Bonus	32.2	TBC	TBC	TBC
London and Partners	0.2	0.2	0.2	0.2
London Great Outdoors: Parks and Street Trees	2.2	0.0	0.0	0.0
Mayor's Housing Covenant	377.7	241.8	559.1	112.4
Care & Support Programme - Phase 1 and 2	17.3	10.2	39.3	0.0
Decent Homes Programme	154.5	0.0	0.0	0.0
Custom Build	3.9	TBC	TBC	TBC
Homelessness Change and Platform for Life	15.0	15.0	0.0	0.0
London Housing Bank	0.0	80.0	120.0	0.0
Housing Zones	23.1	108.4	132.8	79.8
Recycled Capital Grant Funding	0.0	8.7	10.0	10.0
Right to buy	0.0	TBC	TBC	TBC
Land and Property	30.6	0.4	0.0	0.0
CPOs	12.2	14.1	0.0	0.0
A Sporting Future for London	1.7	2.2	0.0	0.0
Crossrail	9.0	0.0	0.0	0.0
Northern Line Extension	179.0	193.0	115.0	231.0
London Legacy Development Corporation ¹	139.2	46.4	0.0	153.5
City Hall	0.2	1.1	0.5	0.5
Technology Group	0.2	0.4	0.4	0.4
Total capital expenditure	1,097.5	812.2	1,073.8	623.1
Funding:				
Crossrail Business Rate Supplement (Revenue contribution)	9.0	0.0	0.0	0.0
CPO provision	12.2	14.1	0.0	0.0
Northern Line Extension – Borrowing and Developer Contributions	179.0	193.0	115.0	231.0
Capital receipts and other Sales Income	205.2	40.8	0.0	169.2
Other Grants & Contributions	78.5	33.9	49.3	10.0
DCLG Loans	20.0	130.0	195.0	35.0
DCLG Capital Grant (Growing places fund)	13.6	40.8	22.8	2.8
DCLG Capital grant (Other)	580.0	359.6	691.7	175.1
Total capital funding	1,097.5	812.2	1,073.8	623.1

Notes

1. Capital receipts of £69.6 million transferred from the LLDC to the GLA have been netted off expenditure and funding in the proposed 2017-18 programme.

Appendix A: Greater London Authority: Mayor and London Assembly

Table 4: Financing costs of the GLA's Capital Programme

Capital financing costs	2016-17 £m	2017-18 £m	2018-19 £m
Voluntary revenue provision (VRP) for debt repayment	10.5	10.8	8.9
External interest (Non Crossrail)	9.1	12.1	16.3
External interest (Crossrail - financed by BRS)	115.3	115.3	115.3
Total financing costs	134.9	138.2	140.5

Table 5: GLA's Authorised limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	4,600.0	4,600.0	4,800.0	4,900.0	5,000.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
TOTAL	4,600.0	4,600.0	4,800.0	4,900.0	5,000.0

Table 6: GLA's Operational limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	4,290.0	4,290.0	4,300.0	4,360.0	4,460.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
TOTAL	4,290.0	4,290.0	4,300.0	4,360.0	4,460.0

Appendix B: Mayor's Office for Policing and Crime

Table 1: MOPAC - Subjective analysis

Subjective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget	Outturn		2017-18	2018-19
	2015-16	2015-16		£m	£m
Total pay and overtime	2,451.0	2,447.7	2,431.9	2426.5	2416.5
Total running expenses	668.9	774.9	738.6	675.7	693.0
Capital Financing Costs	50.6	50.6	46.3	46.3	46.3
Total expenditure	3,170.5	3,273.2	3,216.8	3,148.49	3,155.79
Income					
Interest receipts	-0.8	-0.8	-0.8	-0.8	-0.8
Other income	-278.8	-264.0	-256.9	-248.9	-248.0
Total income	-279.6	-264.8	-257.7	-249.7	-248.8
Discretionary pension costs	35.9	34.0	35.9	35.9	35.9
Savings to be identified	0.0	0.0	0.0	-34.9	-67.0
Net expenditure	2,926.8	3,042.4	2,995.0	2,899.8	2,875.9
Transfers to/from reserves	-70.5	-188.7	-122.3	-26.1	-0.5
Net financing requirement	2,856.4	2,853.7	2,872.8	2,873.7	2,875.4
Specific Grants	376.0	373.4	374.6	373.7	373.7
Revenue support grant	0.0	0.0	27.1	27.1	27.1
Home Office General Policing Grant	1,913.8	1,913.8	1,904.6	1,904.6	1,904.6
Council tax requirement	566.5	566.5	566.5	568.3	570.1

Appendix B: Mayor's Office for Policing and Crime

Table 2: MOPAC's Draft Capital Plan

MOPAC's final capital plan	Forecast	Proposed	Proposed	Proposed
	Outturn 2015-16	Programme 2016-17	Plan 2017-18	Plan 2018-19
	£m	£m	£m	£m
Property Services and Fleet				
Mobility	0.5	0.4	1.8	0.8
Public access & 24/7 policing	16.7	13.8	15.1	22.2
Specialist policing	3.1	3.7	5.6	4.2
Estate transformation	3.3	66.3	195.5	211.0
Headquarters estate	90.2	35.8	0.0	0.0
Hendon and the training estate	45.4	6.1	0.0	0.0
Core operational estate	0.4	6.2	10.0	8.0
24hr borough police stations	6.3	17.3	10.0	18.0
Integrated neighbourhood	0.2	0.4	0.0	0.0
Specialist facilities	3.9	9.8	0.0	0.0
Other	0.5	0.0	0.0	0.0
Digital Policing				
Asset Management	30.3	19.1	13.8	12.7
Supporting future business need/One Met Model	26.2	97.5	37.5	34.3
2020				
Enables savings	55.7	16.8	4.0	0.0
Subtotal	282.7	293.2	293.3	311.2
Over-programming/headroom	-16.7	-65.0	-65.0	-65.0
Total Programme Cost	266.0	228.2	228.3	246.2
Funding:				
Capital Receipts	226.9	193.4	190.3	210.6
Capital grants & other contributions	38.1	34.8	38.0	35.6
Prudential Borrowing	0.0	0.0	0.0	0.0
Revenue Contributions	1.0	0.0	0.0	0.0
Total funding gross of over-programming	266.0	228.2	228.3	246.2

Note:

1. The profile of capital receipts will be different to that shown above as the majority of the capital receipts will be received in 2016/17. The above table shows how these receipts will be applied to fund the proposed capital programme.

Table 3: Financing costs of MOPAC's Capital Plan

Capital financing costs	2016-17 £m	2017-18 £m	2018-19 £m
Minimum revenue provision for debt repayment	24.2	24.2	24.2
External interest	22.0	22.0	22.0
Total financing costs	46.2	46.2	46.2

Appendix B: Mayor's Office for Policing and Crime

Table 4: MOPAC's Authorised limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	515.5	515.5	501.1	484.7	468.2
Long term liabilities	87.8	87.8	83.3	79.2	76.2
TOTAL	603.3	603.3	584.4	563.9	544.4

Table 5: MOPAC's Operational limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	390.5	390.5	376.1	359.7	343.2
Long term liabilities	87.8	87.8	83.3	79.2	76.2
TOTAL	478.3	478.3	459.4	438.9	419.4

Appendix C: London Fire and Emergency Planning Authority

Table 1: LFEPA - Subjective analysis

Subjective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget	Outturn			
	2015-16	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m	£m
Operational staff	241.7	236.3	244.2	250.8	250.6
Other staff	48.7	48.4	48.6	49.4	49.6
Employee related	23.3	23.9	23.6	24.3	24.9
Pensions	21.6	21.2	21.6	22.2	22.8
Premises	33.3	33.1	35.6	38.9	40.1
Transport	17.2	16.6	16.7	17.1	17.5
Supplies and services	25.8	25.5	25.7	25.1	26.0
Third party payments	2.1	2.1	2.2	2.2	2.3
Capital financing costs	10.0	10.0	9.8	9.8	11.1
Business Continuity	0.0	1.7	0.0	0.0	0.0
Central contingency against inflation	1.5	0.7	3.5	6.8	10.0
Savings to be required	0.0	0.0	-6.4	-17.6	-25.2
Total revenue expenditure	425.3	419.4	425.2	428.9	429.7
Total income	-30.5	-30.9	-32.6	-33.7	-34.5
Net revenue expenditure	394.8	388.6	392.5	395.2	395.2
Use of reserves	0.8	7.0	2.7	0.0	0.0
Financing Requirement	395.6	395.6	395.2	395.2	395.2
Financed by:					
Specific grants	13.2	13.2	12.8	12.8	12.8
Revenue support grant	129.4	129.4	128.5	112.0	100.1
Retained Business Rates	114.7	114.7	115.7	132.2	144.1
Council tax requirement	138.2	138.2	138.2	138.2	138.2

Table 2: Capital financing costs of LFEPA's Draft Capital Plan

Capital financing costs	2016-17	2017-18	2018-19
	£m	£m	£m
Minimum revenue provision for debt repayment	5.9	5.9	7.0
External interest	3.9	3.9	4.1
Total financing costs	9.8	9.8	11.1

Appendix C: London Fire and Emergency Planning Authority

Table 3: LFEPA's Draft Capital Plan

LFEPA's draft capital plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
IT projects	8.2	2.9	1.0	0.5
Resilience projects	0.0	0.0	0.0	0.0
Refurbishment of fire stations	0.9	3.2	0.9	2.8
New/Replacement fire stations	2.8	3.9	8.1	0.0
Other property projects	1.7	8.2	14.5	14.4
Sustainability projects	2.3	2.7	1.8	1.8
Minor improvements programme	1.1	0.5	0.7	0.7
Contingency programme	0.0	1.0	1.0	1.0
Service concessions (PFI stations and Finance leases)	18.7	23.4	0.0	0.0
Fire Brigade fleet re-procurement	2.9	17.9	25.4	10.0
Over programming	0.0	-4.9	-3.6	-3.0
Total capital expenditure	38.6	58.8	49.8	28.1
Funding:				
Capital receipts	19.2	35.1	49.8	28.1
Borrowing and PFI leases	18.7	23.4	0.0	0.0
Capital grants	0.7	0.3	0.0	0.0
Revenue contributions	0.0	0.0	0.0	0.0
Total funding	38.6	58.8	49.8	28.1

Table 4: LFEPA's Authorised limit for external debt

	2015-16	2015-16	2016-17	2017-18	2018-19
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Approval			
	£m	£m	£m	£m	£m
Borrowing	145.0	145.0	150.0	150.0	150.0
Long term liabilities	75.0	75.0	75.0	75.0	75.0
TOTAL	220.0	220.0	225.0	225.0	225.0

Table 5: LFEPA's Operational limit for external debt

	2015-16	2015-16	2016-17	2017-18	2018-19
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Approval			
	£m	£m	£m	£m	£m
Borrowing	140.0	140.0	145.0	145.0	145.0
Long term liabilities	75.0	75.0	75.0	75.0	75.0
TOTAL	215.0	215.0	220.0	220.0	220.0

Appendix D: Transport for London

Table 1: TfL - Subjective Analysis

Subjective analysis £m	Revised Budget	Forecast Outturn	Budget	Plan	Plan
	2015-16	2015-16	2016-17	2017-18	2018-19
Income					
Fares Revenue	-4,639.7	-4,592.5	-4,958.4	-5,249.9	-5,699.6
Congestion Charging	-172.2	-170.8	-171.1	-170.0	-191.4
Enforcement Income	-129.8	-126.3	-130.0	-137.5	-137.2
Taxi & Private Hire and VCS fees	-28.2	-33.8	-29.4	-30.3	-31.1
Advertising Income	-102.6	-111.0	-125.2	-147.9	-158.8
Rental Income	-62.2	-64.0	-64.0	-60.6	-60.5
Other Income	-146.0	-155.8	-197.7	-210.5	-219.5
Total Income	-5,280.7	-5,254.2	-5,675.8	-6,006.7	-6,498.1
Operating Expenditure					
Employee Expenses	2,125.7	2,155.7	2,173.1	2,206.8	2,248.5
Premises	321.4	304.9	275.8	283.4	269.7
PFI Payments	239.2	236.9	239.3	229.2	241.2
Bus Contract Payments (incl. BSOG)	1,995.2	1,980.3	2,085.1	2,210.1	2,319.7
CCS & Other Road Contracted Services	308.2	311.9	292.8	290.6	298.5
Asset Maintenance & Local Authority Payments	550.5	557.3	594.5	618.8	619.4
Professional and Consultancy fees	93.5	80.7	55.3	45.8	53.3
Management Consultancy/Development fees	155.2	167.8	147.1	155.9	157.3
Ticket Commissions	61.7	58.8	65.6	61.9	74.4
Customer Information	63.6	54.8	44.4	40.5	29.7
National Rail Payments	6.9	7.8	7.2	8.2	7.7
Franchise Payments	293.9	366.4	319.9	334.7	352.4
Information and Communication Technology	209.7	226.6	228.3	233.7	242.9
Insurance	25.3	26.0	30.2	32.5	34.2
Traction Current	119.4	110.4	124.2	125.2	126.5
Other Operating Expenses	212.7	120.1	209.0	160.1	251.3
Capital Resources and Other Recharges	-197.6	-296.1	-202.8	-215.9	-161.5
Bad Debt Provision	49.2	51.5	49.0	51.8	51.8
Total Operating Expenditure	6,633.7	6,522.0	6,738.0	6,873.2	7,216.9
Net Operating Expenditure	1,353.0	1,267.8	1,062.2	866.5	718.8
Group Items & Third Party Contributions	343.8	318.3	428.1	540.1	521.8
Revenue surplus for capital use	-174.7	-178.4	75.8	192.0	387.9
Spending Review Reduction	0.0	0.0	-240.0	-471.0	-696.5
Total Net revenue expenditure	1,522.2	1,407.6	1,326.1	1,127.7	932.0
Financed by:					
GLA Transport Grant (general grant)	639.5	591.4	435.7	216.7	0.0
Other specific grants	29.2	37.7	30.1	31.1	32.0
Retained Business Rates	847.5	772.5	854.3	873.9	894.0
Council tax requirement	6.0	6.0	6.0	6.0	6.0

Note: VCS is Victoria Coach station. CCS is the Congestion Charging Scheme. BSOG is bus operators support grant.

Appendix D: Transport for London

Table 2: Summary of TfL's Draft Capital Spending Plan

Capital spending plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
Rail and Underground and Tube Lines	1,465.0	1,673.7	1,824.1	1,633.7
Surface Transport	472.0	435.8	483.7	514.9
Corporate	598.4	171.9	282.7	314.7
Crossrail	1,530.8	1,299.9	689.5	168.5
Total capital expenditure	4,066.2	3,581.2	3,280.0	2,631.9
Funding:				
Capital receipts/property sales	393.5	115.0	223.4	92.8
Grants to support capital expenditure	1,065.8	1,212.9	1,210.2	1,130.7
Borrowing	597.7	731.4	900.7	500.4
Crossrail funding sources	906.2	104.0	109.0	143.1
Revenue contributions	-178.4	75.8	192.0	387.9
Working capital and reserves movements	1,281.5	1,342.1	644.7	376.9
Total funding	4,066.2	3,581.2	3,280.0	2,631.9

Note: Details of each mode's Capital Plans are set out below.

Table 3: Rail and Underground and Tube Lines Draft Capital Plan

Draft LUL/Tube Lines Capital Spending Plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
Stations Upgrade	332.0	336.6	244.2	179.4
Legacy Train Systems	14.8	52.7	59.1	62.3
Four Lines Modernisation	356.6	508.6	346.5	280.9
Metropolitan Line Extension	26.3	51.9	29.2	48.1
Infrastructure Renewals	273.2	240.7	236.2	175.8
New Tube For London	16.1	30.1	139.7	206.0
World Class Capacity	63.6	178.8	101.7	116.1
Northern Line Extension	113.8	219.9	228.0	107.2
Central Re-phasing provision	-135.6	-256.9	22.4	62.5
Reliability & Customer Facing Programmes	89.2	55.4	15.0	10.1
Other	18.6	12.8	16.1	10.2
Docklands Light Railway	37.2	33.6	56.2	49.7
London Overground	60.3	72.0	7.8	6.0
Trams	30.4	19.4	11.2	4.3
Crossrail	168.4	118.0	310.5	314.9
Emirates Air Line	0.1	0.2	0.5	0.3
Total capital expenditure	1,465.0	1,673.7	1,824.1	1,633.7

Appendix D: Transport for London

Table 4: Surface Transport Draft Capital Plan

Surface Transport Capital Spending Plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
Buses	125.6	38.5	28.2	27.7
Roads and Cycling	323.4	283.7	276.6	300.6
Other	23.0	113.6	178.9	186.6
Total capital expenditure	472.0	435.8	483.7	514.9

Table 5: TfL Corporate Draft Capital Plan (Net and Gross of Crossrail)

Draft TfL Corporate Capital Spending Plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
Commercial Development	516.8	75.9	116.0	82.6
Future ticketing project	15.7	15.0	7.3	6.7
Other Corp capex incl. IM	65.9	81.1	159.4	225.3
Corporate expenditure excluding Crossrail	598.4	171.9	282.7	314.7
Crossrail contributions	1,530.8	1,299.9	689.5	168.5
Corporate expenditure including Crossrail	2,129.2	1,471.8	972.2	483.2

Table 6: Capital financing costs of TfL's Draft Capital Plan

TfL Capital financing costs	2016-17	2017-18	2018-19
	£m	£m	£m
External interest	497.9	568.8	613.2
Total financing costs	497.9	568.8	613.2

Table 7: TfL's Authorised limit for external debt

	2015-16	2015-16	2016-17	2017-18	2018-19
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Approval			
	£m	£m	£m	£m	£m
Borrowing	10,376.5	10,376.5	11,074.9	11,962.8	12,462.8
Long term liabilities	306.0	365.3	257.4	214.4	194.3
Total	10,682.5	10,741.8	11,332.3	12,177.2	12,657.1

Appendix D: Transport for London

Table 8: TfL's Operational limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	9,251.9	9,251.9	9,982.4	10,870.3	11,370.3
Long term liabilities	306.0	365.3	257.4	214.4	194.3
Total	9,557.9	9,617.2	10,239.8	11,084.7	11,564.6

Table 9: Application of Net Congestion Charging Revenue by TfL

It is anticipated that net revenue (after direct operating costs) of £171.1million will be generated from the Congestion Charge in 2016-17. An indicative attribution on how this revenue will be applied in line with the Congestion Charging scheme order is shown below.

	2016-17 £m
Congestion Charging	
Bus network improvements:	73.6
TfL will continue to keep the bus network under regular review. Priorities will be to maintain ease of use, attractive frequencies, adequate capacity, reliability of services and good coverage in the face of growing demand. The New Routemaster roll out is well underway, with a total of 800 buses to be in service in 2016.	
Borough plans:	15.4
The boroughs control 95 per cent of the Capital's road network, so the successful delivery of the Mayor's Transport Strategy will demand close partnership working to achieve the outcomes for which the Mayor strives.	
Roads and bridges:	59.9
TfL will continue to support a programme for improving the quality of street conditions and bridges, including reconstructing and resurfacing carriageways and footways, plus upgrading and strengthening structures. Road maintenance and renewal will continue, while bridge and tunnel safety schemes at several locations will be developed.	
Road safety:	5.1
Investment will continue in road safety measures on TfL and borough roads via Local Investment Plan (LIP) funding, in conjunction with measures adopted by the police and boroughs. Initiatives to reduce road casualties include engineering schemes at accident hotspots and road safety campaigns.	
Walking and cycling:	17.1
TfL will continue a programme of improvements for pedestrians, both on its own roads and on borough roads. Investment will be made to promote the benefits of walking, making it easier to plan and undertake journeys on foot, and deliver a safe, comfortable, attractive street environment. Investment will continue on projects designed to deliver the Mayor's Cycling Vision, which aims to create and sustain an environment that enhances the attractiveness of cycling, and includes the further development of Barclays Cycle Hire scheme and Barclays Cycle Superhighways.	
Congestion Charge net revenue	171.1

Appendix E: London Legacy Development Corporation

Table 1: LLDC - Subjective analysis

Subjective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget	Outturn	2016-17	2017-18	2018-19
	2015-16	2015-16			
	£m	£m	£m	£m	£m
Employee expenses	9.6	9.3	9.2	8.7	8.5
Premises costs	1.3	1.1	0.8	1.2	1.3
Supplies and services	23.4	24.3	19.9	19.7	18.6
Financing costs	6.3	8.2	10.9	11.6	13.0
Total revenue expenditure	40.5	42.9	40.8	41.3	41.4
Other Income	-3.0	-3.3	-4.8	-6.6	-7.4
Net revenue expenditure	37.5	39.6	36.0	34.7	34.0
Use of reserves	-14.2	-14.4	-7.9	0.0	0.0
Net expenditure after use of reserves	23.3	25.2	28.1	34.7	34.0
GLA Funding (core activities)	17.0	17.0	17.2	14.0	14.0
GLA Funding for financing costs	6.3	8.2	10.9	11.6	13.0
Savings to be identified	0.0	0.0	0.0	9.1	7.0
Council Tax Requirement	0.0	0.0	0.0	0.0	0.0

Table 2: LLDC's Draft Capital Plan

LLDC's draft capital plan	Forecast	Proposed	Proposed	Proposed
	Outturn	Programme	Plan	Plan
	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
Expenditure				
Park Operations and Venues	100.4	11.8	1.8	3.0
Real Estate and Regeneration	21.5	38.2	44.1	6.1
Olympicopolis	15.8	46.1	79.2	340.1
Corporate activities	2.2	1.4	1.7	1.4
Irrecoverable VAT & contingency	1.0	10.5	1.8	0.3
Over-programming	-1.8	-1.5	-2.4	5.6
Total expenditure	139.2	106.5	126.2	356.5
Funding				
Borrowing	122.9	46.4	0.0	153.5
Capital receipts	11.2	27.7	32.0	63.5
Other grants and funding	5.1	32.4	94.2	139.5
Revenue contributions (reserves)	0.0	0.0	0.0	0.0
Total funding	139.2	106.5	126.2	356.5

Notes

Capital receipts of £69.6 million transferred from the LLDC to the GLA have been netted off expenditure and funding in the proposed 2017-18 programme.

Appendix E: London Legacy Development Corporation

Table 3: LLDC's Authorised limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	320.0	320.0	400.0	360.0	470.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
TOTAL	320.0	320.0	400.0	360.0	470.0

Table 4: LLDC's Operational limit for external debt

	2015-16 Current Approval	2015-16 Revised Approval	2016-17 Proposed	2017-18 Proposed	2018-19 Proposed
	£m	£m	£m	£m	£m
Borrowing	310.0	310.0	390.0	350.0	460.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
TOTAL	310.0	310.0	390.0	350.0	460.0

Appendix F: Old Oak and Park Royal Development Corporation

Table 1: OPDC - Subjective analysis

Subjective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget	Outturn	2016-17	2017-18	2018-19
	2015-16	2015-16			
			£m	£m	£m
Employee expenses	1.3	1.3	2.4	2.4	2.4
Supplies and Services	2.6	2.6	3.1	3.3	3.3
Total revenue expenditure	4.0	4.0	5.5	5.7	5.7
Other Income	-0.2	-0.2	-0.2	-0.2	-0.2
Net revenue expenditure	3.7	3.7	5.4	5.5	5.5
GLA Funding for core activities	3.7	3.7	5.4	5.5	5.5
Council Tax Requirement	0.0	0.0	0.0	0.0	0.0

Table 2: OPDC's Authorised limit for external debt

	2015-16	2015-16	2016-17	2017-18	2018-19
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Approval	£m	£m	£m
Borrowing	0.0	0.0	0.0	0.0	0.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0

Table 3: OPDC's Operational limit for external debt

	2015-16	2015-16	2016-17	2017-18	2018-19
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Approval	£m	£m	£m
Borrowing	0.0	0.0	0.0	0.0	0.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0

Appendix G: Savings and Efficiencies including Shared Services

Shared Services and Collaborative Procurement

There has been extensive collaborative work undertaken to develop and expand the shared services agenda across the GLA Group. Each arrangement is led by a member of the Group in areas such as legal, procurement, exchequer services, financial systems, payroll, internal audit, treasury management, secretariat and member support services. Some of the arrangements that have been entered into during 2015-16 are outlined below; all are expected to deliver efficiency gains and/or cashable savings.

It is also important to recognise collaboration and the sharing of services beyond the group. Examples include collaboration between TfL and London boroughs, the MPS and other police forces and between the GLA and the City of Westminster in respect of facilities management. In addition there are formal contractual relationships that have been established, such as in the transport policing arrangement between MOPAC and TfL. Regular reporting of shared services activity across the Group is ongoing and scrutiny is carried out by the GLA Oversight Committee.

Some of the arrangements and achievements in 2015-16 are outlined below:

The GLA Group Collaborative Procurement Function

The GLA Group Collaborative Procurement Team (GCPT) was established on 1 April 2015 to manage the common and low complexity procurement expenditure for the GLA and each of the functional bodies and the Metropolitan Police Service (MPS).

The GLA Collaborative Procurement Board, which is chaired by the Mayor's Chief of Staff and comprises a representative from each of the functional bodies, oversees the governance of the collaborative procurement function and as part of its duties is exploring opportunities for further collaboration across more complex areas of expenditure with a view to potentially increasing the level of savings that can be achieved for each of the functional bodies.

In its first seven months of operation the function has achieved cashable savings of £611,000 and efficiency savings of £262,000 across a range of categories including recruitment, consultancy, financial services and office supplies and equipment. In establishing the team it was recognised that it was likely to take 12 to 15 months for optimum saving delivery to be achieved and as activity increases the savings achieved by the GCPT are expected to grow significantly.

The GLA Group Investment Syndicate (GIS) and Shared Treasury Management (STM)

The GIS exists to generate efficiencies through a pooled investment approach and to enhance the liquidity position of individual participants. It achieves this through sharing the capabilities of the GLA's Investment Team, whilst having the over-riding priority of preserving capital, meeting liquidity requirements, generating additional returns through the pooling of money (thus attracting better rates) and identifying opportunities for lending between participants. The GIS membership is made up of GLA, LFEPA, LLDC, MOPAC and the London Pension Fund Authority (LPFA). The total investments managed under the treasury shared service are now over £2.5 billion and the total borrowings managed are just under £4.2 billion.

Appendix G: Savings and Efficiencies including Shared Services

Summary of other key shared service arrangements

Other key arrangements - amongst the many that the GLA and functional bodies have entered into - are set out below. All deliver cashable savings and/or efficiency gains:

- **TfL Legal Services:** TfL Legal provides the full suite of legal services to the GLA, MOPAC, LLDC and OPDC;
- **MOPAC Audit Function:** MOPAC provide internal audit services to the GLA, LFEPA, LLDC and OPDC;
- **GLA and MOPAC Shared HR:** The GLA provides HR services for MOPAC and OPDC;
- **GLA and MOPAC Shared IT:** The GLA Technology Group provides the IT Service for all MOPAC staff;
- **GLA Committee Services:** The GLA provides a full committee support service for the boards and committees of LFEPA, TfL, LLDC and OPDC; and
- **LFEPA Accommodation:** LFEPA shares part of its Union Street office space with the London Pensions Fund Authority and the GLA.

Appendix G: Savings and Efficiencies including Shared Services

Savings and Efficiencies across the GLA Group

The total savings and efficiencies to 2018-19 which have been identified across the Group are summarised below. The figures are presented on an incremental basis and do not include any savings still to be identified.

Savings	2016-17	2017-18	2018-19
	£m	£m	£m
GLA: Mayor	9.2	0.0	0.0
GLA: London Assembly	0.2	0.2	0.1
MOPAC	4.3	0.0	0.0
LFEPA	0.5	0.0	0.0
TfL	0.0	0.0	0.0
LLDC	4.3	2.5	2.3
OPDC	0.0	0.0	0.0
Total	18.5	2.7	2.4

Efficiencies	2016-17	2017-18	2018-19
	£m	£m	£m
GLA: Mayor	0.0	0.0	0.0
GLA: London Assembly	0.0	0.0	0.0
MOPAC	122.3	51.1	39.0
LFEPA	4.6	0.0	0.0
TfL	149.0	174.7	90.9
LLDC	4.9	0.4	0.3
OPDC	0.0	0.0	0.0
Total	280.8	226.2	130.2

Savings and efficiencies	2016-17	2017-18	2018-19
	£m	£m	£m
GLA: Mayor	9.2	0.0	0.0
GLA: London Assembly	0.2	0.2	0.1
MOPAC	126.6	51.1	39.0
LFEPA	5.1	0.0	0.0
TfL	149.0	174.7	90.9
LLDC	9.2	2.9	2.6
OPDC	0.0	0.0	0.0
Total	299.3	228.9	132.6

Appendix G: Savings and Efficiencies including Shared Services

The table below sets out the savings to be identified within the budgets of each of the GLA Group functional bodies.

Savings to be identified	2016-17	2017-18	2018-19
	£m	£m	£m
GLA: Mayor	0.0	0.0	0.0
GLA: London Assembly	0.0	0.0	0.0
MOPAC	0.0	34.9	67.0
LFEPA	6.4	17.6	25.1
TfL	240.0	471.0	696.5
LLDC	0.0	9.1	7.0
OPDC	0.0	0.0	0.0
Total	246.4	532.6	795.6

Appendix H: Summary of Revenue Expenditure and Financing

Introduction

The tables below summarise how the net expenditure (financing requirement) and council tax requirement is calculated for the GLA and each functional body in 2016-17.

	Gross expenditure £m	Fares and traffic income £m	Other general income £m	Net expenditure before use of reserves £m	Use of Reserves £m	Net expenditure after use of reserves £m
Mayor's Office for Policing and Crime	3,252.8	0.0	-257.7	2,995.1	-122.3	2,872.8
GLA Mayor	694.6	0.0	-506.2	188.4	-29.1	159.3
GLA Assembly	7.6	0.0	-0.4	7.2	0.0	7.2
LFEPA	425.2	0.0	-32.6	392.5	2.7	395.2
TfL	6,964.2	-4,958.4	-755.6	1,250.3	75.8	1,326.1
LLDC	40.8	0.0	-32.9	7.9	-7.9	0.0
OPDC	5.5	0.0	-5.5	0.0	0.0	0.0
Total Other Services	8,137.9	-4,958.4	-1,333.2	1,846.3	41.5	1,887.8
Total GLA Group	11,390.7	-4,958.4	-1,590.9	4,841.4	-80.8	4,760.6

Council Tax Requirement and Band D Council Tax

	Net expenditure after use of reserves £m	Specific Government Grants £m	General Government Grants £m	Retained Business Rates £m	Council Tax Requirement £m	Band D Amount £
Mayor's Office for Policing and Crime	2,872.8	-374.6	-1,931.7	0.0	566.5	206.79
GLA Mayor	159.3	-4.6	-10.0	-95.8	48.8	13.68
GLA Assembly	7.2	0.0	-2.5	-2.1	2.6	0.95
LFEPA	395.2	-12.8	-128.5	-115.7	138.2	50.35
TfL	1,326.1	-30.1	-435.7	-854.3	6.0	2.19
LLDC	0.0	0.0	0.0	0.0	0.0	0.00
OPDC	0.0	0.0	0.0	0.0	0.0	0.00
Collection fund surplus	-5.6	0.0	0.0	0.0	-5.6	2.04
Total other services	1,882.2	-47.5	-576.7	-1,067.9	190.0	69.21
Total GLA Group	4,755.0	-422.1	-2,508.4	-1,067.9	756.5	276.00

Appendix H: Summary of Revenue Expenditure and Financing

Net revenue expenditure

The net revenue expenditure (or financing requirement) shown in the tables above - after allowing for the impact of variances in the collection of council taxes by London billing authorities - represents the sum of:

- revenue grants from the Government. These include general government grants (Home Office police grant, revenue support grant and the general element of the GLA Transport Grant) and specific grants (including for example Home Office police funding for counter-terrorism, Fire revenue grant, TfL Overground grant and EU funding paid to the GLA);
- retained business rates; and
- each body's share of the Council Tax precept.

The forecast financing requirement (net expenditure after use of reserves) for the GLA and each functional body is set out in the table below.

Net revenue expenditure (financing requirement)	Revised Budget 2015-16	Budget 2016-17	Plan 2017-18	Plan 2018-19
	£m	£m	£m	£m
GLA Mayor	330.5	159.3	188.2	202.9
GLA Assembly	7.2	7.2	7.2	7.2
MOPAC	2,856.4	2,872.8	2,873.7	2,875.4
LFEPA	395.6	395.2	395.2	395.2
TfL	1,522.2	1,326.1	1,127.7	932.0
LLDC	0.0	0.0	0.0	0.0
OPDC	0.0	0.0	0.0	0.0
Collection fund (surplus)/deficit council tax	-31.0	-5.6	-5.6	-5.6
Net revenue expenditure	5,080.9	4,755.0	4,586.4	4,407.1

Funding Allocations from Sources over which the Mayor has Direct Control

The Mayor's allocation of funding sources under his control is set out in Section 1. This section sets out more detail behind this analysis and explains the changes in allocations in 2016-17.

The majority of the reduction in the GLA's overall funding allocation for 2016-17 from Mayoral sources of £60.3 million relates to the impact of the Mayor's commitment to reduce his Council Tax and in particular the withdrawal of £12 out of the £20 Olympic precept. The increase in funding allocations to LLDC of £1.2 million and to OPDC of £1.7 million are reflected within the GLA's overall figure.

Appendix H: Summary of Revenue Expenditure and Financing

The GLA has a specific local policing element of £36.5 million within its revenue support grant allocation for 2016-17 and future years. This relates to MOPAC's estimated share of prior year Council Tax Freeze grants. As the Mayor has previously increased MOPAC's precept by £9.4 million in respect of council tax freeze grant, he has decided to allocate MOPAC an additional £27.1 million in RSG in 2016-17 and future years in order to deliver the £36.5 million sum set out in the settlement. TfL has a small increase in its share of retained business rates of £6.8 million in 2016-17 arising from the increase in the RPI of 0.8% in September 2015. The Mayor has made no change to the cash funding of the Assembly and LFEPA.

In summary, the Mayor's proposed Funding Allocations:

- provide the functional bodies with as much certainty as possible over funding sources that are themselves uncertain and volatile. This is achieved by allocating retained business rate income increasing by RPI at the previous September in line with the statutory basis used to uprate the non-domestic rating multiplier and holding their share of Council Tax income steady;
- provide additional support to LFEPA to offset the impact of the additional cuts in the former fire formula component of the GLA's Revenue Support Grant allocation; and
- manage the reduction in the precept through the Mayor's component budget while maintaining the council tax requirement for LFEPA and MOPAC. The Mayor's Resilience Reserve is used for this purpose (as well as being retained at a level considered to be sufficient to manage the prevailing funding uncertainties, although its adequacy in future years will depend on continued growth in the Council Tax base and business rates tax base).

Rates Retention Funding

The table below sets out the provisional forecast of rates retention income for 2016-17. The GLA Mayoral allocation includes an element for GLA services with the remainder being transferred into the Mayor's Resilience Reserve. Any variances between the total income receivable and the amount allocated for services, levy and tariff payments are accounted for centrally through the Resilience Reserve. LLDC, OPDC and MOPAC are not included as their allocations from retained rates are nil. Appendix I outlines the assumptions made in more detail for 2016-17 and the subsequent two years.

The allocations are indicative as the actual sums allocated will be dependent on business rates revenues generated in London although the amount the Mayor is committed to pay to LFEPA is expected to be no lower than the figure stated. The allocations for 2016-17 will be reviewed before the Mayor's final draft budget in order to take into account the forecasts submitted by the 33 London billing authorities on or before 31 January. The GLA expects to manage any volatility arising from these forecasts through the Mayor's Resilience Reserve.

Appendix H: Summary of Revenue Expenditure and Financing

Forecast of Rates Retention Income in 2016-17

	GLA Mayor	GLA Assembly	GLA	TfL	LFEPA	Total
	£m	£m	£m	£m	£m	£m
Total funding allocated to GLA and functional bodies	95.8	2.1	97.9	854.3	115.7	1,067.9
Tariff payment to DCLG (0.8% increase)						358.6
Forecast Levy payment on growth to CLG						9.4
Total assumed rates retention revenues in respect of 2016-17 (section 31 grant income and income from billing authorities)						1,435.9
Collection fund deficit forecast – net sums repayable to billing authorities for 2015-16 and prior years						-72.5
Total assumed rates retention revenues received in 2016-17 (section 31 grant and income from billing authorities)						1,363.4

Revenue Support Grant

The tables below illustrate the Mayor's provisional allocation of revenue support grant for 2016-17 and indicative amounts for 2017-18 and 2018-19. The 2016-17 figures will be confirmed following the final local government settlement.

Provisional Allocation of Revenue Support Grant in 2016-17

Component within RSG	GLA Mayor	GLA Assembly	GLA Total	TfL	LFEPA	MOPAC	Total
	£m	£m	£m	£m	£m	£m	£m
Fire and Rescue funding	0.0	0.0	0.0	0.0	113.1	0.0	113.1
GLA general funding	7.5	2.5	10.0	0.0	15.4	0.0	25.4
Council tax freeze grant – policing ¹	2.5	0.0	2.5	0.0	0.0	27.1	29.6
Total	10.0	2.5	12.5	0.0	128.5	27.1	168.1

Indicative Allocation of Revenue Support Grant in 2017-18

Component within RSG	GLA Mayor	GLA Assembly	GLA Total	TfL	LFEPA	MOPAC	Total
	£m	£m	£m	£m	£m	£m	£m
Fire and Rescue funding	0.0	0.0	0.0	0.0	95.2	0.0	95.2
GLA general funding	4.6	2.5	7.1	0.0	16.8	0.0	23.9
Council tax freeze grant – policing ¹	2.3	0.0	2.3	0.0	0.0	27.1	29.4
Total	6.9	2.5	9.4	0.0	112.0	27.1	148.5

Appendix H: Summary of Revenue Expenditure and Financing

Indicative Allocation of Revenue Support Grant in 2018-19

Component within RSG	GLA	GLA	GLA	TfL	LFEPA	MOPAC	Total
	Mayor	Assembly	Total				
	£m	£m	£m	£m	£m	£m	£m
Fire and Rescue funding	0.0	0.0	0.0	0.0	84.9	0.0	84.9
GLA general funding	4.6	2.5	7.1	0.0	15.2	0.0	22.3
Council tax freeze grant – policing ¹	2.1	0.0	2.1	0.0	0.0	27.1	29.2
Total	6.7	2.5	9.2	0.0	100.1	27.1	136.4

Note: 1. A total of £36.5 million is set out in the local government finance settlement as council tax freeze grant for London policing. This includes around £6 million allocated within the rates retention baseline. MOPAC has already been allocated £9.4 million of this sum since 2014-15 via an offsetting uplift to its council tax requirement and therefore the residual balance of this due to it is £27.1 million. The balance of the allocated sum within revenue support grant is retained by the GLA in the MRR in recognition that its council tax requirement was reduced in 2014-15 to offset the £9.4 million transfer of resources to MOPAC.

Crossrail BRS Revenue Account Illustrating Application of Income Collected from Ratepayers

The table below illustrates how the forecast £223.5 million of BRS income collectable from non domestic ratepayers is expected to be applied over the three financial years.

By the end of 2015-16 the GLA's entire £4.1 billion contribution to Crossrail financed through the BRS will have been transferred to TfL where it is held in the ring fenced Crossrail sponsor funding account until applied to fund the construction costs. Any sums received in BRS income not required to be applied in year to meet capital financing costs, Crossrail project contributions, treasury management fees, and other expenses are retained to meet future financing and debt repayment costs.

	2015-16	2016-17
	£m	£m
Capital financing costs	130.0	115.3
Treasury Costs and Brokerage Fees	1.1	1.1
Direct contribution to Crossrail project financed from in year BRS receipts	9.0	0.0
Billing authority collection costs	0.6	0.5
Sub total funds applied in year	140.7	116.9
Funds retained to meet future financing costs and debt repayment	78.3	102.1
Provision for rating appeals	4.5	4.5
Total BRS Income Collected	223.5	223.5

Appendix H: Summary of Revenue Expenditure and Financing

Council tax calculations

The difference between net revenue expenditure and the sum of grant funding from the Government and through retained business rates represents the amount to be raised from Council Taxpayers. This sum is recovered by issuing precepts on the City of London and the 32 London boroughs (i.e. the council tax requirement) which are the statutory billing authorities for Council Tax, national non domestic rates and the Crossrail Business Rate Supplement in the capital. The statutory calculation also includes the effect of the assumed £5.6 million collection fund surplus in respect of Council Tax for 2015-16 which would be paid over by billing authorities through an adjustment to the 2016-17 instalments.

There are two sets of Council Tax calculations because the Metropolitan Police District does not include the City of London which has its own police force. The unadjusted basic amount of council tax excludes the element for the Metropolitan Police District and equates to the precept payable by taxpayers in the City of London (i.e. the area of the Common Council). The adjusted basic amount of Council Tax includes the element for the Metropolitan Police District and equates to the precept payable by taxpayers in the 32 London boroughs.

Although the statutory arrangements only require a distinction to be made between police and other services, a summary of spending, funding and the resultant Council Tax attributable to each body is provided in the tables at the beginning of this Appendix. Details of the Council Tax requirement for police services and other services are set out below.

Council tax requirement for police services

The estimated amount to be raised for police services is as follows:

Council Tax for police services	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
Net financing requirement	2,856.4	2,872.8	2,873.7	2,875.4
Government grants and Retained Business Rates	-2,289.9	-2,306.3	-2,305.4	-2,305.4
Amount for police services	566.5	566.5	568.3	570.1

This is equivalent to a **band D Council Tax of £206.79 for 2016-17 in the 32 London boroughs** (£208.87 in 2015-16).

Council tax requirement for other services

The estimated amount to be raised for other services is as follows:

Council Tax for other services	2015-16	2016-17	2017-18	2018-19
	£m	£m	£m	£m
GLA, LFEPA, LLDC, OPDC and TfL net expenditure	2,224.5	1,887.8	1,718.3	1,537.3
Government grants and Retained Business Rates	-1,959.3	-1,692.2	-1,516.9	-1,330.0
Share of borough net collection fund surplus/deficit	-31.0	-5.6	-5.6	-5.6
Amount for other services	234.2	190.0	195.8	201.7

This is equivalent to a **Band D Council Tax of £69.21 for 2016-17 in the City of London** (£86.13 in 2015-16).

Appendix H: Summary of Revenue Expenditure and Financing

Summary of proposed adjusted and unadjusted Council Tax by Band

The adjusted basic amount of council tax is therefore £276.00 for a Band D property (i.e. £206.79 for the Metropolitan Police plus £69.21 for non police services) – this applies to taxpayers in the 32 London boroughs.

Adjusted Amount of Council Tax paid by taxpayers in the 32 London boroughs (£)

Band	2016-17	2015-16	Annual decrease
Band A	£184.00	£196.67	-£12.67
Band B	£214.67	£229.44	-£14.77
Band C	£245.33	£262.22	-£16.89
Band D	£276.00	£295.00	-£19.00
Band E	£337.33	£360.56	-£23.23
Band F	£398.67	£426.11	-£27.44
Band G	£460.00	£491.67	-£31.67
Band H	£552.00	£590.00	-£38.00

The provisional unadjusted basic amount of council tax is therefore £69.21 – this applies to council taxpayers in the City of London. They contribute separately through their Council Tax to the City of London Police.

Unadjusted Amount of Council Tax paid by taxpayers in the City of London (£)

Band	2016-17	2015-16	Annual change
Band A	£46.14	£57.42	-£11.28
Band B	£53.83	£66.99	-£13.16
Band C	£61.52	£76.56	-£15.04
Band D	£69.21	£86.13	-£16.92
Band E	£84.59	£105.27	-£20.68
Band F	£99.97	£124.41	-£24.44
Band G	£115.35	£143.55	-£28.20
Band H	£138.42	£172.26	-£33.84

The unadjusted amount of Council Tax paid by taxpayers in the City of London is likely to change before the Mayor's final budget. The precise Band D amount will be dependent on the council taxbase, collection fund surplus data and retained business rates forecasts provided by billing authorities towards the end of January 2016.

Appendix H: Summary of Revenue Expenditure and Financing

Council Tax referendum thresholds

On 17 December the Government published the draft regulations setting out the council tax referendum thresholds for 2016-17 – the ‘Referendums Relating to Council Tax Increases (Principles) (England) Report 2016/17.’ For the GLA a referendum would be required if the increase in either or both of the adjusted and unadjusted amounts of council tax was 2 per cent or higher.

The adjusted and unadjusted amounts of council tax proposed in this draft budget are both lower than the GLA’s estimate of the council tax referendum thresholds that will apply for 2016-17 (i.e. £300.87 – a 1.99 per cent increase on the adjusted amount for 2015-16 of £295.00 and £87.84 – a 1.99% increase on the unadjusted amount for 2015-16 of £86.13). The council tax levels proposed in this draft budget by the Mayor would therefore not trigger a Council Tax referendum in the 32 London boroughs and the area of the Common Council of the City of London on the basis of the draft regulations.

These regulations remain subject to formal approval by Parliament in early February 2016. The Mayor’s final draft budget proposals will have regard to the implications of any changes made by the Government to the draft principles before they are approved by Parliament.

The Home Secretary has set out that funding settlements for the Police include the assumption that police Council Tax requirements will be increased by 2 per cent over the lifetime of this Parliament, along with an assumption of growth in council taxbase (the assumption is 0.5 per cent in the 2016-17 settlement). This would take into account both the impact of changes in the Band D precept as well as movements in the tax base. As set out above the Mayor is proposing a small decrease in the Band D Council Tax precept for police services, albeit the Council Tax requirement in cash terms proposed for 2016-17 is the same as in 2015-16.

Appendix I: Funding Assumptions and Future Changes to Business Rates

Introduction

This Appendix sets out the medium term funding outlook for the GLA Group in respect of Government grant, retained business rates and council tax taking into account the impact of the announcements in the 2015 Spending Review published in November 2015, and the Provisional Police, Fire and Local Government Finance Settlements published on 17 December 2015.

It also explains the underlying assumptions supporting the retained business rates forecasts and considers the potential impact of the move to 100 per cent business rates retention by 2020 announced by the Chancellor of the Exchequer in October 2015. This analysis highlights the degree of uncertainty which exists in respect of future years funding given the Government's commitment to focus on deficit reduction and the potential volatility in both council tax and business rates income.

2016-17 Provisional Local Government and Fire Finance Settlement

The provisional 2016-17 Local Government Finance and Fire Settlement was published on 17 December and was subject to a four week consultation process which ended on 15 January. The settlement confirmed the provisional allocations of revenue support grant for English local and fire authorities for 2016-17 with indicative allocations for the next three years 2017-18, 2018-19 and 2019-20.

The GLA Group's provisional revenue support grant for 2016-17 is £168.1 million which is £5.6 million lower in cash terms than the corresponding figure for 2015-16 of £173.7 million. However this figure includes the 2015-16 council tax freeze grant of £9.5 million which is being baselined into revenue support grant from 2016-17 and therefore the like for like reduction in grant is £15.1 million or 8 per cent. Of the total revenue support grant allocation £128.5 million has been allocated to LFEPA, £2.5 million to the Assembly, £10.0 million to the GLA and £27.1 million to MOPAC.

The £27.1 million of revenue support grant funding allocated to MOPAC relates to prior year council tax freeze grant funding which has been rolled into the baseline. This figure represents the Government's estimated share of the council tax freeze grants which have been paid to the Mayor for 2011-12, 2013-14, 2014-15 and 2015-16 which have been consolidated into the revenue support grant baseline in addition to the £9.4 million which MOPAC is already receiving in respect of the 2011-12 freeze grant. This £9.4 million element was paid to MOPAC via revenue support grant in the Mayor's 2012-13 and 2013-14 budgets and then paid from 2014-15 through an uplift in its council tax requirement. The 2012-13 council tax freeze grant was paid on a one off basis in that financial year and was therefore not baselined into revenue support grant.

The apportionment of the GLA's revenue support grant by the Mayor takes into account the changes made to the baseline funding components and the need to deliver his commitment to LFEPA.

Appendix I: Funding Assumptions and Future Changes to Business Rates

The indicative revenue support grant allocations for 2017-18, 2018-19 and 2019-20 are proposed at this stage to be £148.5 million, £136.4 million and £127.9 million. These are purely indicative figures and are expected to be subject each year to formal approval by Parliament through the annual Local Government Finance Report. The Mayor's indicative allocations of revenue support grant for 2017-18 and 2018-19 across the GLA, Assembly and functional bodies are set out in Appendix G. The £27.1m MOPAC element is maintained at the same level each year in line with the provisional settlement figures issued by the Government.

The LLDC and OPDC are funded from GLA resources – however for planning purposes it is assumed that the above changes in the GLA's funding will not materially affect their resource allocation from the Mayor in the current spending review period.

The final local government finance settlement is expected to be issued by early February 2015 and the impact of any changes made will be reflected in the Mayor's final draft budget.

Council tax freeze grant

No council tax freeze grant is payable in respect of 2016-17 council tax setting decisions. However as indicated above the freeze grants received in respect of previous years have been rolled into the revenue support grant baseline and will therefore be available in future years.

Home Office Police Grant Settlement and Impact on the Mayor's Office for Policing and Crime

On 17 December the Home Office confirmed the general grant allocations for 2016-17 for Police and Crime Commissioners in England, for the Mayor's Office for Policing and Crime and the City of London Police. This included the police formula grant and general police grant allocations along with council tax support funding for local policing bodies and for MOPAC and the City of London police their National and International Capital City (NICC) allocations.

MOPAC has been allocated general police grant of £1,904.6 million in 2016-17 comprising £861.5 million of core grant, £749.8 million of former CLG formula grant, £119.7 million in council tax benefit legacy grant and £173.6 million in NICC funding. In addition as explained above, the Mayor has allocated £27.1 million of revenue support grant to MOPAC in respect of council tax freeze grant funding.

Final specific grant allocations for policing for 2016-17 will be confirmed by the Home Office in early 2016. This will include the allocations for counter-terrorism funding. In the settlement the Home Office confirmed that revenue funding for counter-terrorism nationally would be increased in real terms to £640 million. The allocations by force are not made publicly available, however.

Decisions on police funding for 2017-18 and future years were not announced. The Mayor has assumed that the general policing grant in 2017-18 and 2018-19 will remain at the same level as in 2016-17 in cash terms. However, there may be further consultation on changes to the police funding formula for 2017-18 onwards.

Appendix I: Funding Assumptions and Future Changes to Business Rates

Transport for London Funding Settlement with the Department for Transport

In the Spending review the Department for Transport confirmed TfL's general (operating) grant for 2016-17 to 2018-19 alongside a longer term commitment to 2020-21 in respect of the investment grant element of its funding.

This budget assumes that £435.7 million of general (operating) GLA Transport grant will be received for the purposes of TfL in 2016-17. This is £240 million lower than the comparable grant for 2015-16. The allocation for 2017-18 is £216.7 million and for 2018-19 is zero.

These figures exclude the investment grant element of the GLA Transport grant (£925 million in 2016-17) which is applied for capital purposes and is reflected in TfL's draft capital spending plan. TfL also receives other revenue and capital specific grants for specific programmes and projects which are agreed separately.

Current information on funding allocations announced for the 2016-17 financial year

The table on the following page summarises the latest position on the status of the grant settlement information for the next three years across the GLA Group – and also indicates the areas of uncertainty moving forward. It confirms the primary components and sources of each functional body's funding from Central Government and what information has been issued to date.

Funding Assumptions for Retained Business Rates for 2016-17

In April 2013, the Government changed the way in which local government is funded through the introduction of the business rates retention scheme. The GLA receives 20 per cent of the business rates income collectable in London and retains 73 per cent of any growth above its baseline set at the start of the system which is uprated annually by the increase in the non domestic rating multiplier. From the income remaining it is required to make an annual tariff payment to the Government equivalent to the difference between its assessed funding needs as determined by the Government and uprated business rates baseline. The remaining revenue after the tariff and – if applicable – levy payments are available to support GLA services.

The GLA receives its business rates income directly from the 33 London billing authorities and is dependent on their forecasts and collection rates for the retained rates income it receives. The accounting and reporting arrangements operate on a similar basis to council tax – with a budgeted forecast being used to determine instalments with any variations in the forecast outturn (whether a surplus or deficit) being adjusted for in the following year's instalments.

In calculating the forecast revenues for 2016-17 the Mayor has assumed a 1 per cent rise in the property taxbase in London and a further 0.8 per cent uprating of the multiplier in line with September 2015 RPI. The Mayor's draft budget assumes that the GLA's share of total business rates income – including any section 31 grants for any government funded reliefs – will be £1,435.8 million. In addition it is estimated that of the residual £118 million forecast shortfall in revenues at 31 March 2015 compared to the sums allocated for services in 2013-14 and 2014-15 around £72.5 million is still to be recovered by billing authorities. For the purposes of the draft budget therefore this is estimated to be the collection fund deficit in respect of business rates for 2015-16. This would be recovered by billing authorities through an adjustment to their 2016-17 instalment payments.

Appendix I: Funding Assumptions and Future Changes to Business Rates

Information on Government funding settlements for the GLA and each Functional Body for 2016-17 to 2018-19 at date draft budget published

Functional Body	Sources of Core Central Government Funding	2016-17	2017-18	2018-19
GLA	GLA general grant (DCLG) and other funding paid via Revenue Support Grant (RSG)	Yes	Yes	Yes
	GLA Housing capital funding	Partial	Partial	Partial
MOPAC	Home Office Police grant	Yes	No	No
	Home Office Specific grants (including counter-terrorism funding)	No	No	No
	Legacy Council tax support	Yes	No	No
LFEPA	Fire formula grant and other funding paid via Revenue Support Grant and fire revenue grant (DCLG)	Yes	Yes	Yes
TfL	Transport grant (DfT)	Yes	Yes	Yes
	Investment grant	Yes	Yes	Yes
	Other specific grants	Yes	No	No
LLDC/OPDC	Via GLA General grant	N/A	N/A	N/A
Council tax freeze grant for 2011-12, 2013-14 and 2014-15	Rolled into RSG in prior years	Yes (rolled into RSG)	N/A	N/A
Council tax freeze grant for 2015-16	Rolled into RSG in 2016-17	Yes (rolled into RSG)	N/A	N/A

Appendix I: Funding Assumptions and Future Changes to Business Rates

Of the assumed retained business rates income, £358.6 million will be paid to the Secretary of State in respect of the GLA's tariff payment and there would be a forecast levy payment on assumed growth against baseline of £9.4 million. This leaves an estimated £1,067.9 million available to support services and/or to transfer to the Mayor's resilience reserve to meet potential future funding challenges.

Billing authorities are required to submit their business rates forecasts for 2016-17 by 31 January which will include an updated estimate of the sums they expect to collect in 2015-16 as well as the sums they expect to collect in 2016-17. The impact of these will be reflected in the Mayor's final draft budget in February 2016.

Taking these factors into account the Mayor has decided to budget on the basis that TfL will receive a 0.8 per cent increase in its retained rates baseline funding in line with September 2015 RPI – with an indicative increase of 2.3 per cent assumed for the following two years. This assumes that the cost of the additional rates reliefs announced in the 2013, 2014 and 2015 Autumn statements which continue to affect revenues in 2016-17 will continue to be funded by the Government. LFEPA's notional business rates revenue within its committed Mayoral cash allocation for 2016-17 is also being increased by around 0.8 per cent. However this allocation is expected to increase for 2017-18 and 2018-19 assuming the current funding allocation is maintained to offset the impact of reductions in revenue support grant.

In the Autumn Statement the Chancellor announced the extension of the small business double rate relief scheme for 2016-17 although there are no plans to extend the retail and new build empty property relief schemes which were in place for 2015-16. The GLA expects to receive at least £27 million in section 31 grants for the comparable reliefs in 2016-17 although more precise estimates will not be available until billing authorities submit their forecasts in January 2016. This is lower than the £39 million forecast for 2015-16 due primarily to the expected ending of retail relief – albeit the effects of this do not alter the total sums receivable by the GLA as ratepayers would simply see an increase in their rates liability to offset the ending of any temporary reliefs granted in 2016-17. DCLG is expected to confirm the arrangements for paying the section 31 grants to cover the cost of those reliefs it is committed to fund in early 2016.

Funding Assumptions for Retained Business Rates for 2017-18 and 2018-19 Reflecting the Forecast Impact of the 2017 Revaluation

A new rating list will be introduced from April 2017 based on estimated rateable values at 1 April 2015. In line with rating agents' estimates the GLA has assumed that the average increase in rateable value in London will be 7.5 per cent but across England there will be a reduction averaging 3 per cent.

The effect of this will be to cause the business rates multiplier to increase to ensure the tax take remains unchanged in real terms – as is required following a revaluation under existing legislation. This assumption means that rates bills in London – before transitional relief – would on average increase by up to 10 per cent. It is anticipated however that this will not be uniform across the capital with some boroughs typically seeing reductions but with significant rises seen in parts of central and east London reflecting relative movements in rental values since April 2008 – the valuation date on which the current 2010 rating list is based.

Appendix I: Funding Assumptions and Future Changes to Business Rates

Under the rates retention system the effect on rates income arising from the changes in rateable values resulting from the introduction of a new rating list at a revaluation are not retained/borne locally. This is because no additional revenue is generated and this would remove the benefit of any growth seen since the system was introduced for areas where rates bills were declining because of a relative decline in rental levels since the previous revaluation.

At a revaluation tariff and top up payments for each authority are adjusted to neutralise the impact of the revaluation. In order to allow for the expected average increase in underlying rates bills in London the GLA is forecasting that its tariff payment would on the basis of the above assumptions increase by just under £147 million from £358.6 million to £505.3 million in 2017-18. Bearing in mind that the GLA's share of business rates is only 20 per cent this implies that London's aggregate rates income would increase by nearly £750 million in 2017-18 in real terms – offset by a net reduction in liabilities in the rest of England.

Little or none of this additional revenue collected from London ratepayers would be retained locally for investment in services as it would be transferred to the rest of England via lower tariff or higher top up payments for authorities in areas where rates income is declining. This does create a potential risk as the GLA is committed to fund this additional tariff payment irrespective of whether this is matched exactly by the uplift in actual rates income following the revaluation. This is because the determination of the tariff payment is made with reference to the estimated baseline rates income when the retention system was introduced in 2013-14 rather than the actual sums collected by London billing authorities in 2016-17.

In determining the rates income forecasts it has also been assumed that the RPI figure used for the purposes of uprating the business rates multiplier for 2017-18 and 2018-19 will be 2.3 per cent. The proposed allocations of forecast business rates income for those years are set out in the relevant sections for the GLA, Assembly, TfL and LFEPA. For TfL the allocations are assumed to increase in line with this inflation assumption whereas for the GLA, Assembly and LFEPA they vary having regard to the profiling of revenue support grant and the Mayor's indicative allocations for council tax.

There are other potential uncertainties which could affect business rates income beyond 2017-18. Firstly, the Government is due to publish the conclusions of its long term review of business rates in the March 2016 Budget. This could result in changes to the method of valuing properties, the frequency and timing of revaluations and the basis for uprating the multiplier annually. The Government is also consulting on proposals to reform the business rates appeals system and increase the data to which local authorities will have access to so that they can improve their forward planning. These changes in relation to the appeals process are being implemented through the Enterprise Bill which is expected to achieve Royal Assent during 2016.

In addition, the Government announced in October 2015 that by 2020 100 per cent of business rates income will be devolved to local authorities and that the national uniform business rate (or multiplier) will be abolished. It is expected that the power to reduce the multiplier will be devolved to individual local authorities. In addition core government grant funding – primarily revenue support grant – will cease. The Government is expected to issue a consultation paper setting out its proposals during 2016.

Appendix I: Funding Assumptions and Future Changes to Business Rates

At this stage it is too early to assess the potential implications of this change which is unlikely to be introduced before 2018-19 at the earliest. This draft budget does not therefore include any adjustments to take into account the impact of these potential reforms. The Government has however stated that it is plans to consult on transferring TfL's capital funding (i.e. its investment grant), public health grant, housing benefit administration funding for pensioners and in addition the payment of Attendance allowance into the 100 per cent devolved system.

The GLA is managing the ongoing risks associated with rates retention funding through the use of the Mayor's Resilience Reserve. In considering the amount required to be retained in the Mayor's Resilience Reserve the Executive Director of Resources is mindful of the experience of the volatility in income from this source between the forecast and outturn in the first two years of the rates retention scheme. This has led to a judgement that a minimum of £40 million should be maintained in the reserve to allow for the difference between forecast (i.e. budgeted) and the actual revenues collected by boroughs each year. At a later stage the additional potential risk that revenues may be insufficient to meet the expected higher tariff payment from 2017-18 following the April 2017 revaluation will need to be considered.

The detail of the new devolved system is not yet known and the extent to which the GLA will be more exposed to volatility in business rates income. Further, it is not yet clear to what extent new responsibilities will be devolved to the GLA and London boroughs or the share of rates income which will be allocated to each tier. These unknown factors will impact on the judgements which will need to be made as to the level of revenues which will need to be held in the Resilience Reserve in future years. These issues will be closely monitored and further advice will be developed for shaping the future strategy for this Reserve.

The Mayor will review his assessment of retained business rates revenues prior to the publication of his final draft budget taking into account the updated forecasts for 2015-16 and provisional estimates for 2016-17 submitted by the 33 London billing authorities by 31 January 2016.

Council tax assumptions

Each London billing authority will be required to determine its proposed council tax support and council tax base for 2016-17 by 31 January 2016 – and reflect the discounts in its council tax base which will be used for tax setting by it and the GLA. They will also be required to provide an estimated collection fund surplus or deficit outturn calculation for 2015-16 for council tax taking into account expected collection rates.

The Mayor's draft budget assumes a 1 per cent council tax base increase in 2016-17 and subsequent years and at this stage a £5.6 million collection fund surplus estimate. He will review his assessment prior to the publication of his final draft budget taking into account the council tax base and collection fund data submitted by the 33 London billing authorities at the end of January 2016.

Appendix I: Funding Assumptions and Future Changes to Business Rates

In 2017-18 and 2018-19 it is assumed for the purposes of the current Mayor's budget as stated above that the council tax at Band D in the 32 boroughs will remain at £276 in both years and that the council taxbase will increase by 1 per cent year on year. It will be for the next Mayor to determine the council tax requirement and Band D council taxes in those years.

In both years the indicative council tax requirement for MOPAC has been increased by £1.8 million year on year to £568.3 million and £570.1 million respectively. This increase is necessary on the basis of these assumptions in order to ensure that after allowing for the assumed 1 per cent increase in council tax base in both years the Band D precept in the City of London (non police services) increases by less than the 2 per cent referendum threshold. If the MOPAC requirement was maintained at the level of £566.5 million proposed for 2016-17 the non police precept would need to be increased by £2.05 in 2017-18 and then £2.03 in 2018-19 in order to maintain the same total £276 Band D council tax. Both of these sums would exceed the maximum increase in the part of the precept paid by residents of the City of London - £1.38 and £1.40 – in each year above which a referendum would be required under the 2 per cent threshold expected to be set by the Government.

In order therefore to avoid the risk of triggering a referendum on the basis of the Mayor's indicative plans for those years the proposed council tax requirements would maintain the total precept at £276 for residents of the 32 boroughs but result in the Band D tax payable in the City being £70.58 and £71.99 – equivalent to the maximum permitted 1.99 per cent increase year on year compared to the provisional 2016-17 precept of £69.21.

If the current referendum thresholds are retained these are likely to constrain a future Mayor in his or her ability to allocate additional council tax resources for non police services – this being the precept payable by the relatively small number of taxpayers in the Corporation of London area. The maximum permitted 1.99 per cent or £1.38 increase in the non police precept in 2017-18 would for example raise less than £4 million compared to the gross revenue expenditure for non police services of nearly £8 billion. The GLA will wish to lobby the Government to introduce a monetary as well as a percentage cap – similar to that granted to police forces with low Band D council taxes from 2016-17 – of say £5 in respect of the non police element of the element of the precept. This would still offer significant protection to the relatively small number of taxpayers in the City of London while granting the Mayor greater flexibility over his budget across the whole of London.

Conclusion

The new financial regime introduced in April 2013 has already had a profound impact on the GLA's budget when set alongside the challenges arising from delivering the Government's austerity programme across the Group. It creates both opportunities and risks with the business rates retention scheme in particular representing an important step towards delivering greater financial devolution for the capital. These will only increase as a result of the expected movement towards 100 per cent business rates retention by 2020.

Appendix I: Funding Assumptions and Future Changes to Business Rates

Due to the fact that there are ongoing concerns about the potential volatility and accuracy of the council tax and business rates tax base estimates which billing authorities will be able to provide, the GLA created a Mayor's Resilience Reserve to help manage these risks over the medium term and to provide a degree of certainty to Functional Bodies. Additional risk and uncertainty also arises because of the potential impact of the 2017 rates revaluation.

The impact of the council tax, grant and business rates assumptions on each member of the GLA Group in terms of their forecast funding allocations is reflected in the financial tables included in Appendix G of this document. However, these assumptions are purely indicative at this stage for 2017-18 onwards until the Government's proposals become clearer.

The Mayor's final draft budget will provide updated figures reflecting the final local government, fire and police settlements once approved by Parliament and the impact of the council tax base and business rates retention forecasts provided by the 33 London billing authorities by the end of January 2016.

Appendix J: Key Dates

27 January 2016	Mayor presents his draft consolidated budget to the London Assembly
22 February 2016	Mayor to present his final draft consolidated budget to the London Assembly
28 February 2016	Statutory deadline for the Mayor to approve his precept and council tax requirement and notify London billing authorities
28 February 2016	Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2016-17 and notify the Secretary of State for Communities and Local Government.
31 March 2016	Statutory deadline for the Mayor to approve the Authorised Limit for external debt (borrowing) for the functional bodies and the GLA alongside the Prudential Indicators and Capital Financing Requirements required by statute.

Appendix K: Material Amendments Compared to Consultation Budget

SUMMARY OF CHANGES COMPARED TO CONSULTATION BUDGET

Note: This list addresses material changes to the budget compared to the consultation document and does not include minor typographical or wording changes which do not affect the substance of the budget proposals. Paragraph references generally relate to the numbering in this document, not the Budget consultation document.

Mayor's Foreword: Deleted – superseded by Mayor's Background Statement.

Section 1 – Introduction and Summary

Table 1.5 LFEPA and MOPAC Gross revenue expenditure for 2016-17 amended
Paragraphs 1.20 and 1.25 – updated and superseded.

Section 2 – Greater London Authority (Mayor)

GLA statutory and basic council tax requirement adjusted by £0.1 million to £43.2 million and £48.8 million in objective analysis to ensure consistency with statutory calculations in part 1.
Paragraph 2.26 Additional text on assumptions made in relation to forecasting MRR balances.

Section 3 – London Assembly

None

Section 4 – Mayor's Office for Policing and Crime

Paragraph 4.1 Four year period of MOPAC's Police and Crime Plan updated to read 2013-2016.

Paragraph 4.3 – Additional bullet point added regarding Safer Neighbourhood Boards.

Last bullet point – funding for Crime Reduction projects amended from £40 million to £69 million.

New initiatives paragraphs 4.14 to 4.15 amended.

Updated objective analysis table under paragraph 4.9 relating to allocation of expenditure that had been labelled as 'expenditure funded from reserves' in the budget consultation document across the appropriate business groups.

Additional text under paragraphs 4.14 to 4.16 providing further details on what is included in 'expenditure on new initiatives and net changes to existing services'.

Section 5 – London Fire and Emergency Planning Authority

Paragraph 5.10 – Relevant text and objective analysis figures amended for 2016-17 in table.

Paragraph 5.14 – Updated to reflect changes in contribution to reserves in 2016-17 from consultation budget 2016-17.

Paragraphs 5.23 – 5.25 – Updated to reflect latest information from LFEPA and change in forecast closing reserves balance at 31 March 2017.

Appendix K: Material Amendments Compared to Consultation Budget

Section 6 – Transport for London

None

Section 7 – LLDC

Confirmation of amount of Government funding for Olympicopolis set out in the Chancellor's Autumn Statement included under paragraph 7.6.

Text under paragraph 7.14 updated to reflect fact that savings include those in relation to management of Queen Elizabeth Olympic Park.

Section 8 – OPDC

None

Section 9 – Capital Spending Plan

Paragraph 9.7 wording on police capital programme amended.

Appendices

Appendix A (GLA)

Table 1 GLA statutory and basic council tax requirement adjusted by £0.1 million to £43.2 million and £48.8 million in objective analysis to ensure consistency with statutory calculations in part 1

Appendix B (MOPAC)

None

Appendix C (LFEPA)

LFEPA subjective analysis table 1 amended for 2016-17 to reflect changes in Section 5

Appendix D (TfL)

None

Appendix E (LLDC)

None

Appendix F (OPDC)

None

Appendix G (Savings and Efficiencies)

LFEPA figures revised to reflect changes in Section 5

Appendix H (Summary of Expenditure and Financing)

LFEPA gross expenditure and use of reserves amended in first table

Marginal change of £0.1 million relating to rounding changes for MOPAC net expenditure before use of reserves and use of reserves in first table under introduction

An additional Crossrail BRS memorandum table has been provided to explain the application of BRS funds for 2015-16 and 2016-17.

Appendix I (Funding Assumptions and Future Changes to Business Rates)

None

PART 3

Draft consolidated budget 2016-17: Finance and legal advice

	Page
Advice provided by the Executive Director of Resources	
1. Advice on Budget Process.....	124
2. Equalities Implications.....	127
3. 2015-16 financial monitoring.....	132
4. Reserves and balances.....	134
5. Advice on Council Tax referenda	139
6. Council Tax Freeze Grant	142
7. Advice on future plans	142
8. Advice on Limit on Assembly's power to amend Mayor's Council Tax Requirement.....	142 for the Assembly
Legal Advice	145

Advice provided by the Executive Director of Resources

1. Advice on budget process

The Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA's statutory Chief Finance Officer, to report on the robustness of the estimates. This is covered within the information and advice provided below.

What were the arrangements for developing the budget proposals?

The budget process itself involved:

- budget guidance issued by the Mayor throughout the process;
- budget development by functional bodies and both parts of the GLA;
- budget submissions scrutinised and approved by the functional bodies before formal submission to the Mayor;
- Mayor's draft budget proposals considered, prepared and issued for consultation;
- consultation; and
- scrutiny by the Assembly's Budget and Performance Committee throughout the process.

The Mayor issued guidance in July 2015 and supplementary guidance in October 2015 to the Greater London Authority and the functional bodies for preparing their budget submissions. The guidance sought to ensure that the Mayor's budget proposals were an accurate reflection of his priority aims and objectives within available resources.

There have been meetings between functional bodies and GLA officers and other consultation, and these provided a vehicle to:

- review delivery of the 2015-16 budget and to judge outcomes;
- direct the 2016-17 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor's priorities;
- ensure that as far as practical there would be consistency and integration across the GLA group on relevant issues;
- ensure that each body's submission was delivered as required; and
- ensure that the submissions could be readily consolidated into the Mayor's budget proposals and issued for consultation.

Throughout the process careful consideration has been given to the projected resource provision; including responding to and taking into account Government consultations and announcements.

How can the estimates of income and expenditure be assessed as representing necessary and reasonable budget provisions?

To explain each component budget, there is generally a service analysis showing the spending plans for the three year period 2016-17 to 2018-19 for the GLA and each of its functional bodies. Each service analysis shows:

- the net costs of providing the complete range of services provided by the body;
- estimated specific grants;
- capital financing costs (including capital expenditure charged to revenue);
- transfers to and from reserves;
- any other financial changes and adjustments; and
- the resultant budget and council tax requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2015-16. Explanations have been provided for the changes in terms of:

- inflation;
- savings and efficiencies;
- new initiatives and service improvements;
- changes in use of reserves;
- net change in government grants; and
- any other adjustments.

More detailed information has also been provided in the public documents relating to the budget proposals considered by the functional bodies and the Assembly's Budget and Performance Committee.

What internal and external scrutiny have the budget proposals had?

The budget proposals are based on submissions that have been subject to scrutiny and approval within the functional bodies. Developing budget proposals have been scrutinised by the Assembly's Budget and Performance Committee and throughout the process further information has been provided in response to the Committee's questions and recommendations.

Details of the budget consultation have been widely circulated to London borough councils, the Corporation of London, London Councils, and a range of business and other representative organisations. The budget consultation document and details of how to respond to the consultation were also placed on the Greater London Authority's website, enabling members of the public to submit their comments. The views expressed in the consultation have been considered before finalising the draft budget proposals.

Conclusion

The estimates have been put together by, or with the involvement of, qualified finance staff in the functional bodies and the GLA and reflect the approval, scrutiny and challenge process as described above. The estimates represent the best available information held within the GLA about budget pressures and the resources available to meet them.

There are processes within each of the GLA group's organisations for proper consideration to be given before expenditure is sanctioned. Budget discipline is supported by a controlled virement system that maximises resource utilisation and allows emerging needs to be taken into account.

There are areas of risk and uncertainty in the budget, particularly the system of business rates retention which increases the potential volatility in respect of some £1.4 billion of the GLA Group's funding. There are significant savings included in the budget and these will require positive management action. There is always the risk that forecast budget variances for 2015-16 could result in a shortfall in the budget funding for 2016-17. In that event the control systems that operate throughout the group allow for component budgets to be reviewed and adjusted accordingly. The scale of future savings required across the GLA Group in future years is substantial. This will require intensive work to deliver and will place significant strain on officers across the whole Group.

Risks are mitigated by insurance arrangements across the GLA Group and by the existence of appropriate reserves. Across the GLA Group the risks associated with major contracts have been recognised and programmes to manage these risks introduced.

The GLA Group takes a prudent approach to the achievability of income and recovery of debts due, making appropriate provision for bad debts, and full provision for realistic estimates of future settlements of known liabilities. The level of external borrowing by authorities is considered affordable having regard to these factors. TfL's borrowing has increased significantly in recent years due to the impact of its investment programme and particularly the Tube upgrade. The GLA is borrowing largely for its contribution to Crossrail and the Northern Line extension.

Overall, on the basis of the information that has been provided to explain the Mayor's 2016-17 budget proposals, the estimates and budgetary provisions set out in the Budget documents represent reasonable and necessary financial provisions consistent with the powers and service obligations of the GLA and the functional bodies, and which are the outcome of a robust budget development process. Advice on equalities implications, 2015-16 monitoring, reserves and balances, Council Tax referenda, Council Tax Freeze Grant, future years' plans and the Assembly's powers to amend the Budget is also provided in this document.

2. Advice on the Equalities Implications of the Budget Proposals

The relevant sections of Part II of the Budget set out a summary of each member of the GLA Group's consideration of equality issues in their budget proposals. This equality statement covers the Mayor's Budget proposals for the 2016-17 financial year.

The Mayor and the Assembly must secure a financially balanced budget. The majority of the rules relating to the budgetary process are set out in sections 85 to 87 and Schedule 6 of the Greater London Authority Act 1999, as amended ("the GLA Act").

The Mayor is required to determine consolidated and component council tax requirements for 2016-17 and it is these that the Assembly has the power to amend. The individual Mayor, Assembly and functional body component council tax requirements are consolidated to form the consolidated council tax requirement for the GLA Group.

In order to determine consolidated and component council tax requirements the Mayor has to make estimates of expenditure (including allowance for contingencies and reserves to be raised) and income (including reserves to be used). To make estimates of income the Mayor also has to determine the distribution of revenue support grant and retained business rates to the Mayor, Assembly and functional bodies (the constituent bodies).

For the purpose of this statement the component council tax requirements and distribution of revenue support grant (RSG) and retained business rates (RBR) are referred to collectively as Funding Allocations, and it is the role of the Mayor to determine these allocations subject to the Assembly's power to amend the proposed council tax requirements.

As public bodies, the GLA and the functional bodies must comply with section 149 of the Equality Act 2010, which provides for the "public sector equality duty". This duty requires each body to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity, and to foster good relations between people who share a protected characteristic and those who do not. The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation. Compliance with the duty may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life, or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding. In limited circumstances this may involve treating people with a protected characteristic more favourably than those without the characteristic, in particular, making reasonable adjustments for a disabled person; and in some cases a pregnant worker can be treated more favourably.

Funding Allocations

The budget consultation document “Group Budget Proposals and Precepts 2016-17” set out the Mayor’s proposed Funding Allocations to the constituent bodies. The Funding Allocations are not specifically aimed at persons who share a protected characteristic – albeit these allocations comprise a significant contribution to the total revenues for each individual body. However, it is recognised that changes to Funding Allocations compared to the previous year could, without mitigating action and depending on the spending decisions made by the bodies themselves, potentially have an adverse impact on: persons who share a protected characteristic, including through impacts on discrimination and other conduct prohibited under the Equality Act 2010, equality of opportunity, and good relations between persons who share a relevant protected characteristic and those who do not.

The Mayor’s proposed Funding Allocations for 2016-17 compared with the previous year are set out in section 1 of part 2 under paragraph 1.19. In summary, the Mayor’s proposed Funding Allocations:

- provide the functional bodies with as much certainty as possible over funding sources that are themselves uncertain and volatile. This is achieved by increasing retained business rate income by RPI at the previous September in line with the statutory basis used to uprate the non-domestic rating multiplier and holding their share of council tax income steady;
- provide additional support to LFEPA to offset the impact of the additional cuts in the former fire formula component of the GLA’s revenue support grant allocation; and
- manage the reduction in the precept through the Mayor’s component budget while maintaining the council tax requirements for the functional bodies. The Mayor’s Resilience Reserve is used for this purpose (as well as being retained at a level considered to be sufficient to manage the prevailing funding uncertainties, although its adequacy in future years will depend on continued growth in the council tax base and business rates tax base).

Other revenues

The Funding Allocations are not the only source of income for the constituent bodies. They are also supported through locally raised and retained fees and charges including public transport fares and the congestion charge for Transport for London, as well as through a range of other government grants for specific purposes. Any resulting reduction in a constituent body’s income could have an effect on the ability of that body to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it. The impact will depend on the choices made by the constituent body (and in making those choices it is required to comply with the public sector equality duty itself). Any reduction in a particular service, programme or project may have a greater impact on persons who share a protected characteristic, than on those who do not share such a characteristic. However, some reductions in services will not particularly affect people with protected characteristics, or will only particularly affect those with certain protected characteristics.

If the constituent bodies cannot mitigate any shortfall in funding through making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that the constituent bodies provide a wide range of services, targeting or impacting upon persons who share a protected characteristic, there could be an impact upon such persons or group as a result.

Impact of Funding Allocations and other revenues

It is not possible to predict how the proposed changes for 2016-17 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made by each of the constituent bodies on the allocation of its Funding Allocation and its other revenues. In exercising their functions, including when making policy and spending decisions, the constituent bodies are required to comply with the public sector equality duty. This duty is necessarily iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken. The constituent bodies will continue to undertake this at a budget level and in the implementation of their individual policies, programmes and projects.

The Mayor's proposed Funding Allocations do provide some mitigation of the potential impacts on persons who share a protected characteristic. They have been determined following a lengthy budget development process which has included the constituent bodies responding to budget guidance issued by the Mayor with budget submissions scrutinised and approved by them before formal submission to the Mayor. Throughout this process constituent bodies have been encouraged to consider equality and diversity issues and they have taken their own steps to comply with the public sector equality duty. An initial high level summary of the equality implications of each constituent body was set out in the budget consultation document "Group Budget Proposals and Precepts 2016-17".

Also, as explained above, the Funding Allocations provide funding protections for the functional bodies by providing them with as much certainty as possible over funding sources that are themselves uncertain and volatile; providing additional support to LFEPA to offset the impact of the additional grant cuts; and managing the funding uncertainties and the reduction in the precept through the Mayor's Resilience Reserve.

Impact of reducing the council tax precept

For 2016-17, a financially balanced budget is proposed based on various new initiatives and service improvements, savings and efficiencies, income changes and use of reserves across all the constituent bodies. On the basis of that budget, the Mayor proposes a reduction in the Band D precept paid by residents of the 32 London Boroughs from £295.00 to £276.00 – a decrease of £19.00 or 6.4 per cent. The provisional 2016-17 precept for the Common Council of the City of London which is outside the Metropolitan Police district is £69.21 – a decrease of £16.92 or 19.6 per cent.

It is also worth noting that in 2016-17 the 33 London billing authorities will be able to increase their council tax by a further 2 per cent in addition to the 1.99 per cent referendum limit to fund investment in adult social care. This 2 per cent levy ranges from an increase of £7.55 per Band D property to as much as £27.59 across the 33 authorities. As a result of the Mayor's proposed precept reduction the net effect – assuming boroughs only apply the 2 per cent social care flexibility – is that taxpayers in 8 boroughs would still see a reduction in their total bills in 2016-17 and the maximum increase would be limited to £8.59 for a Band D taxpayer. Therefore the Mayor's proposed precept reduction will support the provision of additional resources for adult social care without imposing a material increase on council taxpayers including those in low income households eligible for council tax support.

The impact on council tax payers of the Mayor's proposals will depend on their household make up, whether the property is empty or used as a second home and whether they pay council tax in full, in part or are exempt from payment due to their household income or personal circumstances.

All individuals who pay council tax in full will benefit financially from the council tax reduction. The proposed reduction in the Mayor's precept is material (£19 for Band D council tax payers in a two person household) and there is a cumulative impact as this would be a reduction for the fifth year in a row (a total cash reduction of £33.72 for Band D council tax payers since 2012-13). The financial benefit would be to a proportionately lesser extent for those individuals who receive some council tax support from their local borough council or are residents in properties in council tax Bands A to C or are eligible for the 25 per cent single person discount.

Individuals who are exempt from paying council tax or who are eligible for council tax support for 100 per cent of their bill will experience no direct benefit from a reduction in council tax. While this group will not benefit from a council tax reduction, they will not be detrimentally affected by it either.

However, the availability of full council tax support varies depending on the council tax payers' place of residence. In April 2013 decision making on the award of council tax benefit for working age households was localised. The Government also granted local authorities the ability to revise exemption and discount policies for second and empty homes. These policies are agreed in London by the 32 London boroughs and the Corporation of London subject to consultation with the Mayor and other key stakeholders.

Under the localised system eligible pensioner households continue to receive council tax benefit as previously but the billing authorities are free to introduce their own local schemes for working age claimants below pension credit age. Of the 33 London billing authorities it is anticipated that in 2016-17 at least seven will continue to protect working age claimants by providing full council tax support on broadly the same basis as prior to 2013-14. The remaining 26 have local schemes which require some or all working age claimants to contribute to the cost of the scheme by paying a share of their council tax liability or through adjustments to other elements of the schemes, albeit in some cases any impact is restricted to council tax payers in higher property bands or households with non-dependents rather than a minimum liability being imposed on all working age households.

In some authorities the minimum contribution is expected to be as much as 30 per cent of their council tax liability in 2016-17. Some authorities also only pay council tax support up to the equivalent Band D rate and therefore working age claimants residing in properties in Bands E to H do not receive additional support for the difference. Some authorities apply their policies consistently to all working age claimants whereas others offer greater levels of support to certain vulnerable groups (e.g. the disabled, lone parents with young children and war widows).

As a result of the localisation of council tax support it is estimated that over 400,000 households in London have become liable to pay a proportion of their tax bill when previously they would have been exempt entirely due to their low income. Therefore, a greater proportion of households in London will benefit directly from the Mayor's precept reduction than would have been the case prior to 1 April 2013.

Those who will feel the greatest benefit from the reduction in council tax are likely to be those whose circumstances mean that they are only slightly above the level at which they would become eligible for some council tax support. It is not possible to give a threshold of savings or income (or similar) below which an individual would be eligible for council tax support, or above which a person will not be eligible for council tax support because of the way in which benefits are calculated, the number of factors that must be taken into account, and the different schemes in operation in the London Boroughs. However, it is likely that those whose financial circumstances place them only just above their local council tax support eligibility threshold will also have low levels of income/savings, relative to the rest of the population.

Eligibility for council tax support will vary across London as it will depend on the local scheme determined by each London Borough. The GLA does not have diversity data in respect of the 33 local council tax support schemes which could be used to inform an assessment of the likely percentage of people in this group having a particular protected characteristic. Although, probably it can be assumed that, in general, those with lower income/savings relative to the rest of the population (but nevertheless above their local council tax support eligibility threshold) will include greater proportions of disabled people, black and minority ethnic groups, women on maternity leave, lone parents (who are normally women) and families with young children than are present in the Greater London population as a whole. The cumulative reduction in council tax marginally increases their disposable income in both cash and real terms.

By definition the Mayor's Council Tax reduction strategy reduces the level of council tax income which would otherwise be available to the GLA in 2016-17 and in future years. This could have an adverse impact on people who have protected characteristics depending on the action taken to restrain spending to the level of income available. However, £12 of the £19 reduction in the Band D Council Tax relates to the partial return of the 'Olympic precept' to Londoners as it is no longer necessary to meet the residual Olympic funding commitment and this has no direct detrimental impact on services to protected groups.

Further, the financing of the £7 further reduction in the Band D Council Tax in 2016-17 is from resources available in the Mayor's Resilience Reserve rather than a direct reduction in services which could have an adverse impact on protected Groups. Although the Council Tax referenda criteria constrains the speed by which a future Mayor could increase the Council Tax, at the same time this constraint also protects taxpayers, including those with protected characteristics, from the scale and speed of any future increases

3. Advice on 2015-16 financial monitoring

What are the arrangements for monitoring in the GLA and the functional bodies?

There are systems in place for regular financial monitoring and reporting within each member of the GLA Group. In addition, progress against budget is reported quarterly to the Assembly's Budget Monitoring Sub-Committee for each GLA Group member. The reports detail spending against profiled estimates and provide explanations of significant variances and proposals for any necessary corrective action. Progress on new initiatives, performance against key indicators and outturn estimates against approved budgets are also identified and explained. To provide a full snapshot across the GLA Group, set out below is a summary of the latest monitoring reported to the Assembly. All figures are as at the end of quarter 2 of 2015-16.

(a) Greater London Authority: Mayor of London

The net revenue budget for the Mayor of London was forecast to underspend by £22.0 million (9.5 per cent) against the revised budget of £231.5 million. The GLA's capital programme is forecast to spend £379.4 million (34.9 per cent) below the approved programme of £1.09 billion.

(b) Greater London Authority: London Assembly

The Assembly was forecast to underspend by £0.1 million compared to its approved budget of £7.2 million.

(c) Mayor's Office for Policing and Crime

MOPAC's net revenue budget was forecast to overspend by £27.2 million (1.1 per cent of the £2,480.4 million net revenue expenditure budget). There is a forecast spend in the capital programme of £0.5 million in 2015-16 (0.2 per cent) above the approved programme of £264.6 million.

(d) London Fire and Emergency Planning Authority

LFEPA forecast an underspend of £6.2 million compared to the revised budget of £394.8 million (1.6 per cent). Capital expenditure is forecast to be £5.8 million (6.8 per cent) lower than the revised capital programme budget of £67.6 million.

(e) Transport for London

TfL has forecast an underspend of £111 million (6.5 per cent) in 2015-16 against its net operating budget. Net capital expenditure is forecast to be £16 million (0.7 per cent) higher than Budget, due in part to taking on the Metropolitan Line Extension to Watford Junction. These figures exclude Crossrail expenditure.

(f) London Legacy Development Corporation

LLDC forecast a marginal revenue overspend of £0.1 million (0.2 per cent) against its net revenue budget. Capital expenditure is forecast to be £8.4 million (6.3 per cent) lower than the revised capital programme budget of £133.2 million.

(g) Old Oak and Park Royal Development Corporation

OPDC is forecasting a nil variance against its 2015-16 revenue budget of £3.7 million.

Conclusion

An assessment of the current year's financial outturn is always a crucial element in budgetary and precept deliberations for the forthcoming year. With further spending activity still to take place in respect of this financial year up to 31 March 2016 and with crucial transactions taking place beyond that date in finalising the Accounts for the GLA and the functional bodies, it is not possible to say that other variations will not arise.

The processes in place throughout the GLA group and the responsibilities placed on each Chief Finance Officer do however ensure that the outturn position is closely monitored, controlled and taken into account in preparing the estimates of income and expenditure for 2016-17. In particular, each body monitors progress against delivery of their budget and business plans, instigating any necessary remedial action. In turn this monitoring is reported and reviewed by GLA finance officers and considered by both the Mayor and the Assembly on a regular basis.

Processes are also in place to ensure expenditure is controlled within the resources finally approved for each organisation. If any significant changes to the outturn forecasts emerge in the latest round of monitoring, advice will be provided in time for consideration of the Mayor's final draft budget proposals.

4. Advice on reserves and balances

Section 25(1) (b) of the Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA's statutory Chief Finance Officer, to report on the adequacy of the proposed financial reserves. This is covered within the information and advice provided below.

What are reserves and balances?

When reviewing their medium term financial plans and preparing their annual budgets, authorities should consider the establishment and maintenance of reserves.

Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of **general reserves**;
- a contingency to cushion the impact of unexpected events or emergencies – this forms part of **general reserves**; and
- a means of building up funds to meet known or predicted liabilities – this is often referred to as **earmarked reserves**.

What are the appropriate amounts to be held in reserves?

The existing legislation requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. It is the responsibility of the Chief Finance Officer to advise the authority about the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use.

The protocols should set out:

- the reason for/purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

CIPFA's guidance states that the Institute's view is that "*a generally applicable minimum level [of reserves] is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice*". It confirms that "*local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers*", and that "*authorities should make their own judgements on such matters taking into account all the relevant local circumstances.*"

Further guidance is provided by Local Authority Accounting Panel (LAAP) Bulletin 99, issued in July 2014. LAAP99 emphasises that in assessing the adequacy of reserves the chief finance officer should take account of the strategic, operational and financial risks facing the authority and also the importance of considering medium-term plans and forecasts of resources, in addition to short-term considerations.

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves. However, the Government has undertaken to apply this only to individual authorities in circumstances where an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.

An authority's external auditor also has a responsibility to review the arrangements in place to ensure that financial standing is soundly based. This includes reviewing and reporting on the level of reserves taking into account their local knowledge of the authority's financial performance over a period of time. It is not their responsibility to prescribe the optimum or minimum level of reserves for an individual authority or authorities in general.

Advice: Below is advice on reserves and balances for the GLA and each of the functional bodies reflecting advice received from their own statutory Chief Financial Officers.

(a) Greater London Authority: Mayor of London

No changes are proposed to the GLA's policy on reserves and the policy will be kept under review during 2016-17. In light of the impact of the locally retained business rates financial regime and the upside and downside risks associated with council tax income the Mayor's Resilience Reserve (MRR) is being closely monitored. This will ensure that volatility in the level of business rates retained by the GLA, in council tax and in grant funding can be effectively dealt with and also ensure that the Mayor's plans to support both the council tax precept cut and LFEPA can be implemented. The updated estimated annual balances of this reserve will be reported once the data required to forecast business rates and council tax income is received from all of the 33 London billing authorities. However, it is important to note that the estimated balance on the MRR already assumes a one per cent volume growth in business rates.

General Reserves

The GLA's current policy is to maintain a minimum general reserve balance of £10 million after taking into account any accumulated losses on its commercial land and property transactions with GLA Land and Property Limited (GLAP). GLAP's accumulated losses after two years of trading totalled £48.6 million; the losses reflect the timing of expenditure and receipts being incurred and received. Therefore, at 31 March 2016 the GLA's general reserves balance is forecast to total £58.6 million. This balance is assumed at this stage to remain constant through to the end of 2018-19.

Earmarked Reserves (including the MRR)

The 2014-15 closing usable earmarked reserves balance - including the £59.4 million balance on the Mayor's Resilience Reserve - is £230.8 million and is forecast to increase by £60.4 million so that the balance as at 31 March 2016, including the elections reserve, is forecast to be £291.1 million. Earmarked reserves are forecast to reduce to £190.1 million by the end of 2018-19.

These forecast positions as at 31 March 2016 and 31 March 2019 include provisions held to fund legacy related costs incurred following the London 2012 Olympic Games; this represents a prudent level of reserves held to support LLDC in the medium term, should support be required, and accounts for the decision to allow LLDC's own reserves to reach zero by the end of 2016-17 (see subsection (f) below).

Conclusion

The level of reserves is judged prudent in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review, particularly in the light of the management of the pressures on future years' budgets arising from locally retained business rates.

(b) Greater London Authority: London Assembly

Many of the GLA's non-election related reserves relate to accommodation or to other cost issues such as legal fees, the environment and estates, and the Assembly and its staff effectively have access to these reserves on the same basis as the rest of the GLA. The Mayor's proposed budget includes a forecast earmarked Assembly Development and Resettlement Reserve of £1.5 million as at 1 April 2016, which is included in the earmarked reserves total for the GLA: Mayor as set out above.

(c) MOPAC

MOPAC's policy on reserves is to hold a general reserve of at least 1.5 per cent of net revenue expenditure. This is on the basis that there are appropriate accounting provisions and earmarked reserves; reasonable insurance arrangements; a well-funded budget; and effective budgetary controls in place.

MOPAC is forecasting general reserves of £46.6 million, including the Emergency Contingency Reserve of £23.1 million, as at 31 March 2016. Current proposals are that this position will be maintained at the end of 2018-19. These reserves represent in excess of 1.5 percent of the forecast outturn net revenue expenditure in 2015-16, and the 2016-17, 2017-18 and 2018-19 balances represent in excess of 1.5 per cent in each year respectively. This is in line with MOPAC's recommended policy.

Earmarked reserves have been established by MOPAC to provide resources for specific purposes. Earmarked reserves are forecast to reduce from £184.1 million at the end of 2015-16 to £61.8 million at the end of 2016-17 and to be reduced further to £35.2 million at the end of 2018-19. This reduction reflects the MPS's transformation strategy and investment in new IT and strikes a careful balance between investment and maintenance of prudent levels.

MOPAC Conclusion

In the opinion of MOPAC's Interim Chief Financial Officer the proposed approach remains prudent and MOPAC will have in place adequate earmarked reserves and general reserves including the emergency contingency fund.

(d) London Fire and Emergency Planning Authority

LFEPA's general reserves at 31 March 2016 are forecast to be £15.1 million. They are assumed to increase to £17.9 million by the end of 2016-17 and through to the end of 2018-19.

LFEPA also forecasts that it will have £11.1 million of earmarked reserves at 31 March 2016, decreasing to £11.0 million at the end of 2016-17 and maintained at this level at the end of 2018-19. The level of reserves will be kept under review and will reflect any updated assessments of financial risks.

LFEPA Conclusion

The level of reserves is judged prudent by the Chief Financial Officer of LFEPA in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review.

(e) Transport for London

TfL seeks to maintain a General Fund balance of at least £150 million, to protect it from the short-term effects of specific risks crystallising and to ensure sufficient liquidity. Should there be a significant call on the General Fund, provision would be made in future years' budgets to rebuild the reserve to this target level. TfL also maintains a cash balance of £250m available for redemption on any business day to ensure that it has sufficient liquidity to meet its financial obligations.

TfL general reserves are planned to be held at a constant level of £150.0 million from the end of 2015-16 to the end of 2018-19.

Earmarked reserves are reserves set aside for specific policy purposes, namely funding of the Investment Programme, and represent funding received in advance of need. Earmarked reserves are set aside in respect of projects across the Group, excluding Crossrail. They form part of the overall funding pot for the Investment Programme, and will be expended on major projects over the next few years such as the sub-surface lines upgrade, the Northern line upgrade, supporting the Mayor's Cycling Vision and congestion relief projects such as Tottenham Court Road and Victoria stations. Earmarked reserves (excluding Crossrail and the Street works Reserve - a reserve which is held under statute and which must be applied to reduce the adverse effects caused by street works) are forecast to decrease from £1.73 billion at 31 March 2015 to £363.1 million at the end of 2016-17. They are then projected to fall to zero by the end of the 2018-19, reflecting the drawing down of earmarked reserves in order to fund TfL's investment programme.

TfL Conclusion

The Chief Finance Officer of TfL considers that the level of reserves described above is appropriate to meet general requirements in the context of known future liabilities, risks and funding uncertainties facing the Corporation.

(f) London Legacy Development Corporation

As at 31 March 2016 LLDC's general reserves balance is expected to total £7.9 million. LLDC holds no earmarked reserves. The general reserve balance is forecast to decrease to zero by the end of 2016-17 and remain at this level through to the end of 2018-19.

As noted under sub-section (a) above the GLA holds provisions in order to fund Olympic legacy related costs; this effectively maintains a prudent balance that accounts for the decision to allow LLDC's own reserves to reach zero by the end of 2016-17.

Although LLDC's general reserves balances are forecast to reach zero by the end of 2016-17, this reflects planned usage of the reserves. LLDC's revenue expenditure and a significant proportion of its capital programme are funded by the GLA. The LLDC and GLA carefully manage upside and downside risks associated with LLDC's expenditure and the impact of any such risks can be managed within the GLA budget both through the use of contingency sums held within the budget and where necessary through the usage of GLA reserves.

LLDC Conclusion

The Chief Financial Officer of the LLDC, taking into account the management of any upside and downside risk through LLDC's own budget and the GLA's budget and reserves noted above, considers that the level of reserves is prudent in the context of current known liabilities, but this will need to be kept under review in the light of future funding needs.

(g) Old Oak and Park Royal Development Corporation

The OPDC has no reserves at present as its initial establishment and operational expenditure is funded by the GLA from its resources. This position will be kept under review as the scale of OPDC's expenditure increases.

OPDC Conclusion

The Chief Financial Officer of OPDC, taking into account the fact that it is still in the early stages of its establishment and that it is funded from GLA resources, considers that the reserves position is prudent, but will need to be kept under review in the light of future funding needs.

General Conclusion

The above advice reflects the differing nature of the services provided by each organisation. Each body operates independently with its own statutory responsibilities for the proper administration of its financial affairs. The Executive Director of Resources relies on the individual advice from each of the Chief Financial Officers of the functional bodies in discharging his responsibilities.

The use of reserves to March 2019 is summarised in the table below.

	GLA £m	MOPAC £m	LFEPA £m	TfL £m	LLDC £m	OPDC £m	Total
Opening balances 1 April 2015	289.4	419.4	19.2	1,884.8	22.2	0.0	2,635.0
Movement on Earmarked reserves	60.4	-188.7	4.6	-909.6	0.0	0.0	-1,033.3
Movement on General reserves	0.0	0.0	2.4	0.0	-14.4	0.0	-12.0
Balances 31 March 2016	349.7	230.7	26.2	975.2	7.9	0.0	1,589.7
Movement on Earmarked reserves	-111.1	-122.3	-0.1	-462.1	0.0	0.0	-695.6
Movement on General reserves	0.0	0.0	2.8	0.0	-7.9	0.0	-5.0
Balances 31 March 2017	238.7	108.4	28.9	513.1	0.0	0.0	889.1
Movement on Earmarked reserves	4.5	-26.1	0.0	-3.8	0.0	0.0	-25.4
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances 31 March 2018	243.2	82.3	28.9	509.3	0.0	0.0	863.7
Movement on Earmarked reserves	5.5	-0.5	0.0	-359.3	0.0	0.0	-354.3
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances 31 March 2019	248.7	81.8	28.9	150.0	0.0	0.0	509.4

There are reductions in the reserves of virtually all of the functional bodies. This results in a net overall reduction of over £2.0 billion from April 2015 to March 2019 reflecting the planned use of earmarked reserves.

Of the forecast balance on reserves of £1.59 billion at 31 March 2016, around £281 million is held in general reserves – including £150 million for TfL. Only the GLA and LLDC have made explicit contingency provisions in 2016-17; however, functional bodies have made provisions within project estimates. These are judged adequate to reasonably meet foreseeable adverse changes and make prudent provision for such changes.

In conclusion, the Mayor's budget proposals are consistent with the advice provided on reserves and balances. The use of reserves and balances will be kept under close review during 2016-17 and onwards.

5. Advice on Council Tax referenda

What are the rules on Council Tax referenda?

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act"), as amended, in particular by the Localism Act 2011. Amendments made by section 72, and Schedules 5 and 6 of the Localism Act, set out a requirement for a Council Tax referendum where the proposed increase in the GLA precept in either the City of London (the unadjusted basic amount of council tax) or the 32 London boroughs (the adjusted basic amount of council tax) exceeds a threshold proposed by the Secretary of State and approved by Parliament. The duty to hold a Council Tax referendum in those circumstances replaced the system of Council Tax capping that was abolished from the 2012-13 budget year onwards.

Advice

The duty described above would require the Mayor to hold a referendum to approve a proposed Council Tax increase where either or both of the two calculations that apply within Greater London (the adjusted and unadjusted relevant basic amount of Council tax) exceeds a threshold under the excessiveness principles proposed by the Secretary of State and approved by Parliament. If either council tax calculation exceeds the threshold under the excessiveness principles, a referendum of local electors across the whole of Greater London must be held.

As a result of the way the Metropolitan and City of London Police Forces are funded, the GLA is unique in that it is required to calculate two different “relevant basic amounts of council tax” (on the basis of the council tax Band D). The first relates to the area of the Common Council of the City of London only (the *unadjusted* relevant basic amount of council tax figure) and the second for the remainder of Greater London (the *adjusted* figure which includes the police element of the precept). Both these amounts must be in compliance with the Government’s excessiveness principles if a council tax referendum is to be avoided. These principles are set out in a report for each financial year, which is laid before the House of Commons, under section 52ZD of the Local Government Finance Act 1992.

At the time of writing the secondary legislation setting out the principles for 2016-17 has not been issued but this is expected to be published around the same date as the final local government finance settlement, probably in early February. Ministers have stated however that the principles which would require a referendum in 2016-17 equate to an increase in council tax of 2 per cent or above compared to the 2015-16 equivalent. For the GLA this 2 per cent threshold is expected to apply both to the adjusted relevant basic amount of council tax for the 32 London boroughs and the unadjusted amount applying in the City of London. As soon as the principles are approved by Parliament the Mayor is under a duty to determine whether either or both of the two Council Tax figures are excessive under the principles applying to the GLA.

The GLA is not required to make levy payments to levying bodies – as for example applies to London boroughs – and therefore the baseline against which the principles are measured is the actual unadjusted and adjusted council tax figure for 2015-16.

The unadjusted basic amount of council tax proposed by the Mayor for 2016-17 in his draft budget is £69.21 – which applies to council taxpayers in the City of London. This is £16.92 or 19.6 percent lower than the corresponding figure for 2015-16 of £86.13.

The adjusted basic amount of council tax proposed is £276.00 for a Band D property (i.e. £206.79 for the Metropolitan Police plus £69.21 for non police services) – this applies to taxpayers in the 32 London boroughs. This is £19.00 or 6.4 per cent lower than the corresponding figure for 2015-16 of £295.00.

The adjusted and unadjusted amounts of council tax are therefore both lower than the GLA's estimate of the council tax referendum thresholds that we anticipate will apply for 2016-17 (i.e. £300.87 – a 1.99 per cent increase on the adjusted amount for 2015-16 of £295.00 and £87.84 – a 1.99 per cent increase on the unadjusted amount for 2015-16 of £86.13).

In practice this means – on the basis of the council taxbase figures assumed for the purposes of the draft budget – that a referendum could be triggered if the council tax requirement for non police services (applying in the City of London area only) exceeded £241,188,317 – a non police precept of £87.84 – and/or the combined council tax requirement for police and non police services (applying elsewhere in Greater London) exceeded £824,816,222 (on the basis that the MOPAC requirement proposed by the Mayor in this draft budget of £566,494,309 would be unchanged) – a total Band D precept exceeding £300.87.

In the event that the final draft budget did not comply with the principles the Mayor would be required to present, additionally, a substitute budget that did. This, subject to any amendments agreed by the required two thirds majority in the final draft budget, would become the default budget if the referendum seeking approval for an increase above the threshold was lost. This substitute budget would be in effect one consistent with an unadjusted council tax of £87.84 (in the area of the City of London) and/or an adjusted council tax of £300.87 (in the 32 London Boroughs) depending on which (or both) council tax amount(s) is/are "excessive".

On the basis of the information available to the GLA at the date of publication, the council tax levels proposed by the Mayor would therefore not trigger a council tax referendum in either the 32 London boroughs (the area of the adjusted relevant basic amount of Council tax) or the area of the Common Council of the City of London (the area of the unadjusted figure). The Government will confirm the council tax referendum thresholds and the associated secondary legislation prior to the publication of the final draft budget and the Mayor's proposals will have regard to the implications of these.

However, should the final budget not meet the approved principles (i.e. the proposed increase in the Council Tax requirement exceeded the threshold set for the GLA for that budget year) then the Mayor would also be required to present an alternative substitute budget to the Assembly that was in compliance. The Mayor's final budget in this scenario would then be subject to a London-wide referendum even if the "excessive" increase only applied to the precept payable by taxpayers in the area of the City of London.

If the final budget was rejected in that referendum then the alternative substitute final budget would become the final budget for the year. No such substitute budget has been prepared as the Mayor is proposing a precept level which, on present information and expectations, would not trigger a referendum.

The amount of council tax paid by taxpayers in the City of London is likely to change before the Mayor's final budget. The precise Band D amount will be dependent on the council tax base, collection fund surplus data and retained business rates forecasts provided by billing authorities which are due to be received in the last week of January.

6. Advice on Council Tax Freeze Grant

The Government is not providing additional grant to authorities which freeze or reduce their council tax in 2016-17. However council tax freeze grant for prior years (2011-12, 2013-14, 2014-15 and 2015-16) has been rolled into revenue support grant and therefore remains available to the GLA.

7. Advice on future plans

What are the medium-term planning arrangements?

The overall aim of the GLA's medium-term planning arrangements is to have financial plans and business plans that are based on Mayoral objectives and priorities. This means ensuring that there are sound medium-term financial plans within which all priorities and objectives are adequately funded. The Mayor issues guidance each year to ensure this objective is fully implemented across the GLA Group.

Appendix I of Part II of the Budget sets out the prospects for the GLA and GLA Group for future years. It emphasises that there remains much uncertainty about the prospects over the next few years. Therefore in setting council tax requirement levels for 2016-17 the Mayor and the Assembly should have regard not just to the in-year funding position for 2016-17 but the expectation that grant income will continue to decline.

8. Advice on the limit on the Assembly's power to amend the Mayor's Council Tax requirement for the Assembly

What is the Council Tax Requirement for the Assembly?

The GLA is required to determine a separate Council Tax requirement for both the Mayor and the Assembly. In order to derive these two separate requirements it is necessary to apportion the Government grants and retained business rates between the Mayor and the Assembly. Section 2 of Part II of the Budget sets out the apportionment made.

What is the restriction on the Assembly changing its Council Tax Requirement?

The GLA Act limits the Assembly's power of amendment in respect of its own Council Tax Requirement. The Assembly can only increase its Council Tax Requirement (as proposed by the Mayor) by reference to the following:

- If the Mayor's proposed Council Tax Requirement for 2016-17 for the Mayor is **greater than** the Council Tax Requirement for 2015-16 then the Assembly cannot amend the Assembly's Council Tax Requirement so that it would increase by more in percentage terms than the increase in the Mayor's Council Tax Requirement; or
- If the Mayor's proposed Council Tax Requirement for 2016-17 for the Mayor is **less than** the Council Tax Requirement for 2015-16 then the Assembly cannot amend the Assembly's Council Tax Requirement so that it would decrease by a smaller percentage than the decrease in the Mayor's Council Tax Requirement.

The GLA Act uses the terms OM and NM in defining how this works in practice i.e. ‘Old’ Mayor and ‘New’ Mayor:

- ‘Old’ Mayor will be the notional Council Tax Requirement for the Mayor for 2015-16;
- ‘New’ Mayor will be the Mayor’s proposed Council Tax Requirement for the Mayor for 2016-17 after any adjustments made; and
- The percentage change in the Mayor’s Council Tax Requirement from 2015-16 is calculated using these amounts.

The Assembly’s Council Tax Requirement for 2015-16 is then adjusted by the same percentage. This figure then becomes the **‘adjusted previous component Council Tax Requirement for the Assembly.’**

How is a like for like comparison ensured?

To facilitate a like for like comparison the Chief Finance Officer may direct amounts to be included or excluded from the comparison of the Mayor’s Council Tax Requirement for the Mayor with the notional Council Tax requirement for the Mayor for the preceding year. The Chief Finance Officer must have regard to any Secretary of State guidance on the direction (GLA Act Schedule 6, paragraph 5A).

Chief Finance Officer’s direction

The Secretary of State has not issued any guidance on the direction and the Executive Director of Resources has directed that there should be adjustments to facilitate a like for like comparison. These adjustments are set out below.

Can the Assembly amend the Mayor’s council tax requirement for the Assembly?

Using the Act’s methodology and applying it to the draft Council Tax requirement figures, the Assembly could not amend their own council tax requirement so that it would increase by more than the Mayor’s proposal. This is because the Mayor is proposing a Council Tax requirement of £2.615 million (following the usual convention of setting budget requirements rounded to the nearest £1,000) and the application of the Act would allow the Assembly to amend its council tax requirement to only £1.926 million.

This is explained in the table below but it is important to note that this is a provisional determination and has the potential to change in the final draft budget because of the impact of the council taxbase, retained rates income forecasts and collection fund surplus and deficit data which are due to be supplied by the 33 billing authorities before 31 January.

Mayor's Budget: Calculation of NM and OM	£m
Proposed council tax requirement for the Mayor for 2016-17	43.182
Deduct: Nil	-0.000
Add: estimated Collection Fund surplus for 2015-16	5.600
Add: reduction in the 'Olympic precept' for 2016-17	38.300
NM (Mayor's adjusted council tax requirement for 2016-17)	87.082
Deduct: OM (notional Mayor's council tax requirement for 2015-16)	87.299
Add: Forecast collection fund surplus for council tax for 2014-15	30.961
Deduct: Other adjustments	-0.000
OM (notional Mayor's council tax requirement for 2015-16)	118.260
Amount NM is less than OM council tax requirement	31.178
Percentage Decrease	26.4%
<hr/>	
Assembly Budget: adjusted previous component Council Tax Requirement	£m
Notional component Council Tax requirement for the Assembly for 2015-16	2.615
Deduct: Percentage change in NM compared with OM	-0.689
Adjusted previous component Council Tax requirement	1.926

Legal Advice

1. Overview

- 1.1 The Mayor is responsible for the preparation of the budget for both parts of the GLA, that is, the Mayor and the London Assembly, and for the functional bodies, the budgets for all of which together constitute the consolidated budget for the GLA and the consolidated council tax requirement. The Assembly's role is to scrutinise the budgeting decisions of the Mayor, to approve the Mayor's draft consolidated and final draft budgets (with or without amendments), and to set a budget in the event that the Mayor does not do so in the required time. Any amendments to the Assembly's own draft component council tax requirement must not cause it to exceed the adjusted previous component council tax requirement for the Assembly, which is determined by reference to the Mayor's draft component council tax requirement. If the Mayor's component council tax requirement is greater than that for the previous financial year, the Assembly may not increase its component council tax requirement by a greater percentage; if the Mayor's component council tax requirement is reduced from the previous financial year, the component council tax requirement for the Assembly is to be reduced by the same percentage.
- 1.2 The Mayor and the Assembly must secure a financially balanced budget, with a fair and reasonable balance between the discharge of statutory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost.
- 1.3 The GLA's major sources of revenue are council tax, grants paid by the Secretary of State, retained business rates, fares, a business rate supplement levy, and other sources such as advertising and road user charging.
- 1.4 The majority of the rules relating to the budget process are set out in sections 85 to 87 and Schedule 6 to the Greater London Authority Act 1999, as amended ("the GLA Act"). Significant amendments were made by provisions in the Localism Act 2011.

2. Capital spending plans

- 2.1 Under section 122 of the GLA Act, each financial year the Mayor is required to prepare a capital spending plan for the GLA's five functional bodies: the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).
- 2.2 Under section 123 of the GLA Act, the Mayor is required to send a copy of the draft capital spending plan to the London Assembly and each of the functional bodies before 15 January each year, inviting them to submit written comments to him within 21 days. The Draft Consultation Budget circulated on 21 December includes, for the purposes of consultation, the draft of the Mayor's capital spending plan for 2016-17.

- 2.3 Before 28 February the plan has to be sent to the Secretary of State (DCLG) and copies have to be sent to the Assembly and each of the functional bodies. Before finally determining the plan, the Mayor must consider any comments submitted and make such revisions as he sees fit, having had regard to the responses made. The Assembly does not have a power to amend the plan.
- 2.4 The format of the capital spending plan and its contents are specified by section 122 of the GLA Act. The plan is to be in four sections. They can be categorised as follows:

Section A – a statement of the resources each functional body will have for capital expenditure by virtue of capital grants other than from the GLA and capital receipts;

Section B – a statement of the resources each functional body will have for capital expenditure by virtue of borrowing and grants – if any – from the GLA;

Section C – a statement for each functional body of total expenditure for capital purposes that the Mayor expects the body to incur and the total amounts which the Mayor expects to be treated as borrowing in the year (collectively the functional body's "total capital spending"); and

Section D – a breakdown of how each functional body's total capital spending is funded i.e. how much the Mayor expects the body to meet out of capital grants, capital receipts, borrowing and revenue.

3. Overview of steps in budget process

- The Mayor consults the Assembly and then prepares draft component budgets for Mayor and Assembly;
- The Mayor consults each functional body and then prepares the draft component budget for each functional body;
- The Mayor prepares the draft consolidated budget covering both parts of the GLA and all of the functional bodies;
- The Mayor consults the Assembly and other appropriate bodies on the draft consolidated budget;
- Before 15 February 2016 - as set out, for the 2016-17 financial year, in The Greater London Authority (Consolidated Council Tax Requirement Procedure) Regulations 2015 which came into force on 15 January- the Mayor determines the final contents of the draft consolidated budget and presents it to the Assembly at a public meeting. This meeting is taking place on 27 January;
- The Assembly approves the draft consolidated budget, with or without amendment, by a simple majority (subject to limitations in relation to its own budget). If no amendment is made then the draft consolidated budget is deemed to have been approved;

- By the last day of February, the Mayor prepares the final draft budget (with or without Assembly amendments), publishes it and presents it to the Assembly at a public meeting. If the Mayor has not adopted the amendments (if any) passed by the Assembly to the draft consolidated budget, he must state his reasons for not doing so;
- By the last day of February, the Assembly approves the final draft budget, with or without amendment. Any amendments made by the Assembly require the support of two thirds of the Assembly (abstentions and absentees not counted) and are subject to limitations in relation to the Assembly's own budget;
- The final budget approved by the Assembly (with or without amendment) is the GLA's consolidated budget and consolidated council tax requirement for the financial year; and
- As soon as practicable after its approval, the Mayor is required to publish the GLA's consolidated budget and the component budget of each of the Mayor, the Assembly and each functional body.

Note: The first two stages above can proceed simultaneously but all other stages are sequential. Alternative steps are to be followed in case of default by the Mayor or the Assembly.

4. The council tax requirement process

4.1 Component and consolidated council tax requirements

The Mayor must calculate council tax requirements for the Mayor, the Assembly, and the five functional bodies (Transport for London, the Mayor's Office for Policing and Crime, the London Fire and Emergency Planning Authority, the London Legacy Development Corporation and Old Oak and Park Royal Development Corporation). These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA Group's consolidated council tax requirement (s.85 and Schedule 6 ("Schedule 6"), paragraph 1, GLA Act).

4.2 Procedure for determining the council tax requirements

The determination of the component and consolidated council tax requirements is expected to take place between December, following the publication of the government's provisional financial settlement, and the end of February, when the budget is required to be finalised (Schedule 6, paragraph 8).

The council tax requirement for each body is calculated by determining the difference between projected expenditure, and projected income excluding income from any precept. Insofar as expenditure will exceed income, that amount is the body's component council tax requirement for the year (s.85 (6) GLA Act). The Mayor must also consult the Assembly and functional bodies and others as appear appropriate to the Mayor before preparing the draft component budgets for the Assembly and functional bodies (s.87 and paragraph 2 of Schedule 6 GLA Act and s.65 Local Government Finance Act 1992 ("LGF Act 1992")).

As soon as reasonably practicable after the House of Commons has approved the “Excessiveness Principles” (usually in late January or early February) for the forthcoming financial year under the LGF Act, the Mayor must determine whether his proposed budgets and any council tax increase (if applicable) to the unadjusted and adjusted relevant basic amounts of council tax for 2016-17 compared to 2015-16 would be regarded as excessive under those principles. If either is to be regarded as excessive then the Mayor must make substitute calculations to be presented to the Assembly alongside his draft consolidated and/ or final draft budgets.

4.3 Consideration of and Approval of the budget

The draft consolidated budget for 2016-17 is required to be presented to the Assembly at a public meeting on or before 15 February 2016, as required by the Greater London Authority (Consolidated Council Tax Requirement Procedure) Regulations 2015. This meeting is to take place on 27 January 2016.

If the Mayor has failed to comply with these requirements, the Assembly is required to prepare draft component and consolidated budgets (Schedule 6, paragraph 4). If the draft consolidated budget is approved at a public meeting of the Assembly, that approved draft becomes the GLA’s final consolidated budget for the forthcoming financial year (Schedule 6, paragraph 4) and the budget process comes to an end.

After the Mayor presents the draft consolidated budget to the Assembly, the Assembly must approve it, with or without amendment, by a simple majority of the members voting. If approved (with or without amendment) or not explicitly approved, the draft consolidated budget is deemed to be the GLA’s consolidated budget for the year in question (Schedule 6, paragraph 4).

The Assembly’s power to amend the draft consolidated budget extends only to making changes to the figures required to be calculated under section 85 (4) to (8) in respect of each body’s component budget and council tax requirements and the resulted consolidated budget and council tax requirement.

The Assembly’s right of amendment in respect of its own budget is also limited insofar as it cannot vote an increase in its own council tax requirement which is proportionately more than that proposed in respect of the Mayor. If the draft component council tax requirement for the Mayor is reduced in the approved draft budget, the component council tax requirement for the Assembly is reduced by the same percentage. (Schedule 6, paragraph 5A).

After the Assembly’s approval of the draft consolidated budget (or after such period as the Mayor considers reasonable has elapsed without such approval), the Mayor must prepare a final draft of the consolidated budget (final draft budget). This can be:

- the draft consolidated budget as approved by the Assembly including any amendments made by the Assembly;
- the draft consolidated budget as amended by the Mayor; or
- the unamended draft consolidated budget (Schedule 6, paragraph 6(3)).

If the proposed final draft budget would give rise to an increase in the council tax (the unadjusted - City - and/ or adjusted – elsewhere - basic relevant amount of council tax) that is regarded as being excessive under the approved principles applying to that financial year, then the Mayor must prepare and present substitute calculations complying with those principles for consideration by the Assembly alongside his final draft budget.

4.4 Scope of Assembly's amendment powers

The Mayor must present the final draft budget to the Assembly (and any substitute budget calculations) and publish it before the last day of February. This final draft budget is intended to be presented to the Assembly on 22 February 2016. If the Assembly approved the draft consolidated budget with amendments, but the Mayor has not accepted these amendments, the Mayor must lay before the Assembly a written statement of his reasons for not accepting the amendments (Schedule 6, paragraph 6(5)).

The Assembly must approve the final draft budget with or without amendment by the end of February (Schedule 6, paragraph 8). Any amendments by the Assembly at this stage require a two-thirds majority of the members voting (Schedule 6, paragraph 8 (4)).

What is the Assembly's power of amendment?

The Assembly's power to amend the draft consolidated budget is limited to making changes to the figures required to be calculated under section 85 (4) to (8) of the GLA Act ("the statutory calculations") in respect of each of the component bodies' component budget and council tax requirements and their resulting consolidated budget and consolidated council tax requirement. In the event that any successful amendment to the final draft budget would give rise to an increase in council tax (adjusted and/ or un-adjusted relevant basic amount of council tax) that is excessive under the approved excessive principles then the Assembly must also approve substitute budget calculations that do not give rise to an excessive increase in council tax (as defined).

Assembly's own component budget

As discussed above, the Assembly's right of amendment in respect of its own budget is again limited. Any increase in the component council tax requirement for the Assembly cannot be more in percentage terms than any increase for the Mayor; where the Mayor's component council tax requirement has reduced, the Assembly's component council tax requirement is to be reduced by the same percentage (Schedule 6, paragraph 8A).

Amendments to the retained business rates allocation

The Assembly cannot amend the retained business rate allocation put forward by the Mayor in his final draft budget, although the Assembly could legally approve an amendment to that budget predicated on a different allocation figure, thereby changing the component and consolidated council tax requirement figures. Any business rates retention allocation figure approved by the Assembly as part of that process is not binding on the Mayor and only has the status of a proposal. This is because it does not fall within the definition of the final draft consolidated budget that the Assembly has the power to amend i.e. it falls below or underneath the level of the statutory calculations required by section 85 (4) to (8) that comprise the legal definition of the budget under the GLA Act 1999.

Amendment of underlying budget lines

In the same way the Assembly cannot amend budget lines that exist underneath or below the statutory calculations required by section 85 (4) to (8) i.e. it cannot amend the figures that give rise to those statutory calculations. The Assembly can only amend the statutory calculations themselves.

Enforceability of successful budget amendments

Amendments to one or more of the statutory calculations in the Final Draft Budget passed by a two thirds majority of votes cast will amend that budget. The particular component council tax requirement and (potentially) the consolidated council tax requirement may change as a result. However, these amendments are not binding on the Mayor in the sense that he and/ or the constituent body concerned may make compensatory changes within the overall envelope of the amended component Council Tax requirement to vitiate its effect. In addition the Mayor is not required to implement a “subject amendment” passed for a particular purpose, even where this involved a change to a statutory calculation figure.

Mayor’s failure to present final draft budget

Again, subject to the issue of excessiveness, if the Mayor, having presented a draft consolidated budget, fails to present a final draft budget, the Assembly must meet and agree by a simple majority the component council tax requirement of each of the constituent bodies, and the consolidated budget is deemed to have been agreed accordingly (Schedule 6, paragraph 7).

Assembly failure to approve final draft budget

Subject to the issue of excessiveness, the final draft budget approved by the Assembly (with or without amendment) is the GLA’s consolidated budget for the financial year (Schedule 6, paragraph 8(6)). If the Assembly fails to approve the budget before the last day of February, the final draft budget presented to the Assembly will be the GLA’s consolidated budget for the year (Schedule 6, paragraph 9).

4.5 Restriction on challenge to the calculation of the council tax requirements

The Mayor is required to publish the consolidated and component budgets as soon as practicable, and they must be available for inspection by, or supply to, the public, for six years thereafter (Schedule 6, paragraph 11).

Provided that the Mayor’s calculation of the council tax requirements was made in accordance with the statutory procedures, the calculation may not be questioned except by way of judicial review (s.66 LGF Act 1992).

4.5 Minimum budget for the Mayor's Office for Policing and Crime

If it appears to the Secretary of State that the budget set by the GLA for MOPAC is too low to restore or maintain an efficient or effective police force for its area, the Secretary of State may if satisfied that it is necessary for the safety of metropolitan police district residents direct the GLA to increase the component budget requirement to a level not less than an amount specified by him in the direction (s.95 GLA Act, as amended by the Police Reform and Social Responsibility Act 2011).

5. Sources of revenue

5.1 Council tax

The GLA is a major precepting authority (s.82 GLA Act). It raises money indirectly by issuing a precept to the 32 London boroughs and the City of London (separately "a London billing authority") in respect of the amount the GLA sets as its council tax. The method of calculating the GLA's council tax is broadly similar to that of other precepting authorities, although for the GLA the council tax requirement in respect of MOPAC is treated separately. This is necessary because MOPAC is responsible for the police service in the inner and outer London boroughs, but not in the City of London. Council tax payers in the City of London pay directly for their own policing provided via the City of London police.

Each London billing authority must include the precept when it calculates its own council tax bill (s.30 LGF Act 1992). The London boroughs then collect the precept from the council tax payers in their areas and pass it on to the GLA. The precept issued by the GLA must state the amount of the council tax which the GLA has calculated in respect of each category of dwellings and the amount it has calculated to be payable by the billing authority for the year (s.40 LGF Act 1992).

The Mayor sets separate council tax requirements for the Mayor, the Assembly and each of the functional bodies, which together form the basis of the calculation of the basic amount of council tax (s.85 GLA Act). A precept for any given financial year should be issued before 1 March in the year preceding the financial year for which it is issued (s.40 LGF Act 1992).

5.2 Council tax referendums

Prior to the Localism Act 2011, the budget requirement set by the Mayor could be limited or "capped" by the Secretary of State under Chapter IVA of the LGF Act if the Secretary of State considered that the budget requirement calculation was excessive by comparison with a previous year's calculation. Under Chapter 4ZA of the LGF Act (inserted by the Localism Act, section 72 and Schedule 5), there is instead a duty to hold a referendum if a proposed council tax increase exceeds thresholds set by the Secretary of State and approved by Parliament. This subject is covered above.

5.3 Grants paid by the Secretary of State

Grants from the Secretary of State include a GLA transport grant paid for the purposes of Transport for London (section 101 of the GLA Act), revenue support grant, Home Office police grant, principal police formula grant and other specific grants (including counter-terrorism funding, European Union funding and TfL's London overground grant).

Section 100 of the GLA Act as amended by section 4 of the Local Government Finance Act 2012 gives the discretion to the Secretary of State to pay a GLA General Grant if he/she so decides in any financial year. However no discretion is expected to be used for 2016-17.

5.4 Non-domestic rates and business rates retention

Up to and including 2012-13 non-domestic rates were allocated to local, police and fire authorities in proportion to their relative needs and resources as assessed by Government and shared between authorities according to the services they provide under the Local Government Finance Act 1988. This has continued in respect of police formula grant and other funding streams not being provided through business rates retention. Since 2013-14, however, part of the GLA, LFEPA and TfL's funding has been provided through retained business rates paid by London boroughs and the Corporation of London.

The Non-Domestic Rating (Rates Retention) Regulations 2013 provide for billing authorities in London (the 32 boroughs and the City of London) to pay part of their non-domestic rating income to the GLA.

The GLA is forecast to receive around £1.4 billion from London billing authorities in retained business rates annually – and from this sum it will be required to make an annual tariff payment to DCLG, estimated at £358.6 million in 2016-17, until the rates retention system baselines are reset. The balance of any rates income received from billing authorities – allowing for volatility in the rating list year on year – will be available to support GLA Group services. The Government proposes that these baselines will be reset in 2020.

5.5 Fares

The Mayor sets the general level of fares for all transport services under his control (s. 174(1) GLA Act) by way of a Mayoral decision issued to TfL under s.155 of the GLA Act.

5.6 Road user charging net revenues

Net revenues from the Congestion Charging Scheme are ring-fenced for spending on measures that support the Mayor's Transport Strategy. Although no surplus is expected from the Greater London Low Emission Zone charging scheme, any such surplus would be similarly dealt with (Schedule 23, paragraph 16, GLA Act).

5.7 Business rate supplement for Crossrail

The GLA is defined as a levying authority under s.2 of the Business Rate Supplements Act 2009 (“BRS Act”) and has the power to levy a business rate supplement (“BRS”) on non-domestic ratepayers in Greater London for expenditure on a project that it is satisfied will promote economic development in Greater London. In April 2010 the GLA introduced the Crossrail Business Rate Supplement to raise moneys for the Crossrail Project.

The GLA must ensure that the sums it receives in respect of a BRS are used only for expenditure on the project to which the BRS relates and that the GLA would not have incurred that expenditure had it not imposed the BRS; it may make arrangements with a functional body for some or all of the sums that the GLA receives in respect of a BRS imposed by the GLA to be used by the body for expenditure on the project to which the BRS relates (s.3 BRS Act).

The GLA has made such arrangements with TfL in respect of the Crossrail Business Rate Supplement. The GLA must keep a revenue account that is used solely for the BRS and must secure that sums received in respect of it are credited to that account (Schedule 3, paragraph 1 (1) BRS Act).

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