# Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2017-18

**PART 1**


## Summary

This report presents the Mayor's Final Draft Budget proposals for the Greater London Authority (GLA) and its functional bodies for the next financial year. This is the Final Draft Budget and it will be the budget unless the Assembly amends it in accordance with the provisions of the GLA Act before 28 February.


## 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 2017-18 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 GLA for the GLA 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 GLA's consolidated council tax requirement for the GLA Group, being the aggregate of the amount of the component council tax requirements for each constituent body.

1.4 On 25 January the Assembly considered the Mayor's Draft Consolidated Budget ('draft budget'). No amendments to the draft budget were passed by the Assembly.

[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).

1.5 Following approval of the draft budget, with or without amendment, the Mayor prepares and publishes a final draft of his proposed consolidated budget for the next financial year: the Final Draft Budget. If this does not incorporate the Assembly's amendments the Mayor must state his reasons for not doing so. Also, if that final draft is different to the original draft with or without amendments, the Mayor must lay a written statement before the Assembly of his reasons for the changes. This final draft 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 Members voting (abstentions and absentees not counted). The resulting budget will be the approved consolidated budget for the financial year 2017-18.

1.6 The Final Draft Budget for 2017-18 laid before the Assembly is not the same as the draft budget considered and approved on 25 January 2017. The reason for the changes is set out in paragraphs 4 and 5 below.

1.7 The process for approval and potential amendment of the Mayor's Final Draft Budget is set out in Schedule 6 of the Act, as follows:

a) The Mayor presents his Final Draft Budget to the Assembly;

b) After considering the Mayor's Final Draft Budget, the Assembly must approve it with or without amendment. The only amendments which are to be made are those agreed by at least two-thirds of the Assembly Members voting;

c) If no amendments are made following consideration of the Final Draft Budget, it is deemed to have been approved by the Assembly without amendment by automatic operation of the Act;

d) The Final Draft Budget as approved by the Assembly (with or without amendment) is to be the Authority's Consolidated Budget for 2017-18; and

e) It is the duty of the Assembly to approve the Final Draft Budget with or without amendment before 28 February 2017. (If the Assembly fails to meet this deadline, the Final Draft Budget presented by the Mayor is to be the Authority's Consolidated Budget for 2017-18.)

1.8 Annex A of this statement presents the Mayor's Final Draft Budget using the statutory calculations as defined in the Act. Separate accompanying documents provide an explanation of the budget proposals and finance and legal advice. These are based on the Draft Consolidated Budget considered by the Assembly at its meeting on 25 January, but reflect the impact of the figures provided by the 33 London billing authorities on: retained business rates; collection fund surpluses and deficits and council tax bases; and the GLA's estimate of its entitlement to section 31 grants in respect of business rates retention to compensate for Government supported reliefs for ratepayers.

## 2 Final Local Government Finance Settlement

2.1 At the time of publishing this document neither the Government's Final Local Government Finance Settlement for 2017-18 nor the local government "Excessiveness Principles" for 2017-18 for the GLA - that are expected to confirm that increases of 2 per cent or higher are deemed excessive for the purposes of the council tax referenda legislation - have been published or formally approved by the House of Commons.

2.2 Therefore the grant settlement figures set out in Part II of this Final Draft Budget reflect the expected Final Local Government Finance settlement for the GLA and also the Final Police Settlement published on 1 February 2017. Both settlements and the Excessiveness Principles will be considered by the House of Commons for formal approval on 22 February 2017 (i.e. after the Assembly's final budget meeting on 20 February 2017). They are expected to be approved by Parliament without amendment in so far as they affect the GLA and functional bodies. In the event they are approved with changes that materially affected the GLA Group and this Final Draft Budget the Mayor would consider whether it was necessary to make changes to use the substitute calculations procedure to change the approved GLA Group Consolidated Budget and council tax requirement.

## 3 Final Draft Budget Proposals

3.1 The Final Draft Budget reaffirms the Mayor's proposed increase in the Band D council tax of 1.5 per cent from £276.00 to £280.02 in 2017-18 with the entire additional sum allocated to policing. This means the police element of the precept will increase by 1.99 per cent from £202.11 to £206.13 in line with the guidelines for English police forces set out in the Home Office settlement for policing. The precept for taxpayers in the Corporation of London area which has its own police force remains unchanged from the £73.89 set out in the Draft Consolidated Budget – no change compared to 2016-17.

## 4 Impact of Updated Council Tax and Business Rates Retention Forecasts for 2016-17 and 2017-18 Provided by the 33 London Billing Authorities

### Introduction

4.1 For 2017-18 the GLA is due to receive some £3.0 billion of business rates income of which £720.2 million will be paid to the Government as a fixed tariff payment, 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 although a levy on this growth, paid to Government, must be applied. Based on the data submitted by the 33 billing authorities the GLA forecasts that it will have to make a levy payment of £33.5 million for 2017-18.

4.2 After allowing for the increase in the precept in 2017-18 and the actual change in the council tax base, the GLA is due to receive £804.8 million of council tax income.

4.3 In addition, the GLA is due to receive £24.8 million as its share of the estimated collection fund surpluses from billing authorities in respect of council tax at 31 March 2017 and has to repay £27.5 million as its share of the estimated aggregate collection fund deficit for retained business rates as at the same date. These figures are analysed in more detail below.

**Retained Business Rates**

4.4 In providing their estimates of income from retained business rates the 32 boroughs and the City of London have had to make assumptions on the level of appeals which are very hard to predict – in effect the sums they expect to have to repay to ratepayers because their rateable value assessed by the Valuation Office was incorrect or because there has been a material change in circumstance affecting the property since the 2005, 2010 or 2017 rating lists were compiled. Estimates of these appeals are provided for in their returns – and reduce the sums expected to be received in business rates. They also make assumptions on expected growth in 2017-18, provisions for bad and doubtful debts and reliefs to be granted to ratepayers – where the costs in some cases are funded by central government through section 31 grant (e.g. small business double rate relief). There is a significant degree of variability in approaches adopted by different billing authorities and given past experience from the first three years of the retention scheme there is a high likelihood that the final outturn figures for both 2016-17 and 2017-18 provided in June 2017 and June 2018 respectively will differ significantly from the forecasts they submitted at the end of January 2017.

4.5 In addition to the experience of the first three years of the retained rates scheme, the impact of the April 2017 business rates revaluation is adding a further level of uncertainty. Billing authorities must factor in assumptions on ratepayer appeals in respect of 2017-18 rates payable in the context of large rateable value changes for many of their billing areas. This is more challenging from April 2017 as a new appeals system is being introduced and it is likely as a result that the extent and scale of any challenges by ratepayers will take longer to emerge. There is therefore little certainty about the actual level of retained business rate income the GLA will receive, and considerable uncertainty over the yield will remain until the outstanding and potential future rating appeals are cleared. Accordingly, the Mayor's final budget maintains the prudent approach of budgeting to allocate retained business rates for services to each of the functional bodies as set out in the draft budget with the Business Rates Reserve providing financial cover for any budgeted shortfall.

4.6 The draft budget assumed that there would be a collection fund deficit in respect of retained business rates of £29.7 million in 2017-18. This adjustment is intended to allow billing authorities to recover the difference between the sums transferred to the GLA and the updated estimates of what the GLA is due to receive on the latest forecasts of rates income as at 31 March 2017. Billing authorities have now confirmed their estimated deficits at 31 March 2017 and their returns for retained business rates income for 2017-18. Overall, these returns imply forecast net business rates income in 2017-18 which is some £11.0 million greater than the GLA's planning forecasts previously assumed in the draft budget. This comprises a net change in the collection fund deficit as at 31 March 2017 of £2.2 million and an £8.8 million reduction in the forecast 2017-18 levy payable to the Government on business rates growth relative to the baseline as explained below. Billing authorities will transfer the sums due for 2017-18 net of the GLA's share of the 2016-17 collection fund deficit during the year. Any levy due for 2017-18 (if applicable) will not be payable, however, until December 2018 and will be calculated based on the actual audited outturn. Following the planned introduction of 100 per cent business rates retention from 2019-20 the levy on growth is expected to be abolished.

4.7 The draft budget forecast an increase of 117.7 per cent in 2017-18 business rates income (net of the tariff payment and forecast levy payment on growth to Government) compared to the forecast 2016-17 income. This was based on the GLA's share of business rates collected in London increasing from 20 per cent to 37 per cent combined with the Government's forecast of the increase in rateable values across London resulting from the April 2017 revaluation and the Government's forecast of the England-wide level of appeals. The increase in the GLA's share of retained business rates from 20 per cent to 37 per cent in 2017-18 reflects the GLA's Revenue Support Grant and TfL capital grant being rolled in to its share of retained business rates collected in London. The increase in 2017-18 business rates compared to 2016-17, based on the billing authorities' January 2017 returns, is 118.5 per cent.

4.8 The GLA's 37 per cent share of the business rates income forecast in 2017-18 by billing authorities is £149.8 million higher than the business rates baseline expected to be confirmed by the Government in the final local government finance settlement. This means that the billing authorities are forecasting growth compared to the baseline. As a result the GLA is forecasting that it will have to pay a levy of £33.5 million on this growth to Government based on the statutory methodology used to calculate retained rates income. Past experience has however highlighted the volatility between billing authorities' prior year forecasts of business rates income and actual year outturn.

4.9 The statutory budget calculations presented show no change in funding from retained business rates compared to the draft estimates for TfL, LFEPA, LLDC, OPDC or the Assembly. MOPAC's business rates allocation has increased by £1.1 million compared to the draft budget as explained in the MOPAC section below. After allowing for the adjustment to MOPAC's allocation all further variations in retained business rates income are managed through the GLA Mayor component budget. The balance of additional resource resulting from the billing authorities' January 2017 business rates returns are allocated to the newly created GLA Capital Reserve (see GLA: Mayor of London section below).

**Council Tax**

4.10 As a result of the net impact of growth in the number of domestic hereditaments on the valuation list in London, changes in the expected costs of providing council tax support to working age claimants and other factors (such as but not limited to changes in the number of dwellings entitled to Single Person Discount) there is a 2.4 per cent increase in the aggregate council tax bases for the 33 billing authorities in 2017-18. There are significant variations across the capital: Southwark and Tower Hamlets reported a year on year tax base increase exceeding five per cent with Camden, the Corporation of London, Enfield and Kensington and Chelsea reporting growth of less than one per cent. As a result of this tax base growth the Mayor's proposed Band D council tax precept of £280.02 will yield £3.5 million of additional precept income in 2016-17 compared to the figures assumed in the draft budget.

4.11 In addition, the GLA's share of the estimated collection fund surpluses at 31 March 2017 in respect of council tax is £24.8 million with every one of the 33 billing authorities reporting a surplus. The GLA's element of this is based on the share which the Mayor's precept represents of the total Band D council tax in each billing authority for 2016-17 and the net surplus arises because the income expected to be collected is higher than that forecast based on the council taxbases approved for budget setting in February 2016. The net surplus will reflect a number of factors including the impact of in year taxbase growth due to new properties, overall lower than expected council tax support (benefit) costs than were budgeted for by billing authorities when setting their 2016-17 council taxbases and improved collection rates.

4.12 The Mayor has increased the allocation of council tax income to MOPAC by £2.5 million compared to the draft budget. More details are set out in the MOPAC section of this report. The residual precept income is managed within the GLA Mayoral component with no changes proposed to the LFEPA, TfL or Assembly components compared to the draft budget (NB. LLDC and OPDC continue to have no call on the Mayor's precept)

4.13 The Mayor has considered the views of respondents to his Consultation Budget published on 20 December 2016. Despite the completion of the GLA's payments for the Olympic and Paralympic Games he has taken the decision to not reduce his council tax precept. This decision has been made by the Mayor for a number of reasons: the police precept is being increased by 1.99 per cent in order to put right the previous Mayor's tax policies which have led to a fall in funding for the police; volatility and uncertainty in retained business rates income needs to be managed through increasing the level of the Business Rates Reserve; and the fire service and GLA services are being protected from Government cuts to Revenue Support Grant (a £138 million cut in cumulative terms over the budget period compared to the 2016-17 amount and the reduction in RSG in 2017-18 from 2016-17 is £20 million). In light of these reasons it is the Mayor's view that cutting council tax at this time would be irresponsible and would impact upon vital services for Londoners.

### Net Effect of Billing Authorities Business Rates and Council Tax Forecasts

4.14 Compared with the Draft Consolidated Budget the net impact of the billing authorities' business rates and council tax forecasts means that there is additional resource of £27.1 million in the Final Draft Budget. The details of this amount are summarised in the table below.

| **Net position compared with Draft Consolidated Budget** | **£m** |
|---|---|
| **Retained business rates**: | |
| Net reduction in forecast 2016-17 collection fund deficit | +2.2 |
| Net reduction in forecast levy payment on business rates growth | +8.8 |
| **Overall better position on retained business rates** | **+11.0** |
| **Council tax:** | |
| Net increase in council tax base buoyancy in 2017-18 | +3.5 |
| Net increase in forecast 2016-17 collection fund surplus | +12.6 |
| **Overall better position on council tax income** | **+16.1** |
| **Overall better position on business rates and council tax income** | **+27.1** |

4.15 Of the additional £27.1 million only the £3.5 million increase in the council tax base buoyancy is annually recurring (assuming the tax base does not fall in future years). The remaining £23.6 million is assumed to be non-recurring.

### Volatility and Uncertainty in Billing Authority Forecasts

4.16 Despite the benefits of the reform to business rates and the strength of council tax income which reflects the growth of London, there remains great volatility in the key income sources for the Mayor's budget.

4.17 This principally arises from appeals by businesses against their rating assessment and the difficulty billing authorities have in estimating the outcome of such appeals. For example, there was a decrease of £67 million (including a £10 million reduction to Section 31 grant income for the Government's business rates discounts announced in Autumn Statements 2013, 2014 and 2015) between the budgeted (January 2014) and outturn returns for 2014-15 (September 2015) on retained business rates income from billing authorities in respect of 2014-15.

4.18 Due to the uncertainties in forecasting business rates income, for the period 2018-19 to 2020-21 the Final Draft Consolidated Budget assumes a balanced position i.e. effectively assuming no growth or decline in the business rates baseline except that resulting from the RPI increase that is applied to the Business Rates Multiplier each year. This is unchanged from the assumptions applied in the draft budget. The position is kept under close review and in particular it will be reviewed in light of the billing authorities' 2016-17 business rates outturn returns, drafts of which will be sent to the GLA at the end of April 2017.

4.19 There is also significant volatility in council tax forecasts arising in part from the growth in the number of properties liable to pay the tax and the impact of the localisation of council tax support. The £24.8 million collection fund surplus for council tax forecast for 2016-17 is £7.6 million lower the corresponding figure (£32.4 million) for 2015-16 and is more than five times the equivalent calculation used in the Mayor's 2009-10 budget and compares with a seven year average of £6.2 million before the introduction of localised council tax support. The 2.4 per cent increase in the council tax base is less than the 3.1 and 3.4 per cent increases seen in 2015-16 and 2016-17 and compares to a seven year average of 0.9 per cent prior to the introduction of localised council tax support. This illustrates the potential scale of the volatility between billing authority forecasts used for budgeting purposes and the actual outturn data at the year-end – as well as the difficulty of accurately predicting what their outturn will be.

4.20 This volatility and hence uncertainty over the forecasts of rates retention and council tax income has been borne out by recent experience with reductions and corrections being made in following years and this potential volatility is particularly compounded by the April 2017 business rates revaluation which saw large changes in rateable value in a number of areas of London. Looking forward there is also need to have regard to the potential changes to the business rates regime – including the move to 100 per cent rates retention for London Government, which is expected by 2019-20.

## 5 Budget proposals

### Consolidated Council Tax Requirement

5.1 The Mayor's proposed consolidated council tax requirement is £804.8 million – around £3.5 million higher than in the draft budget. This reflects the impact of the additional revenues generated from the buoyancy in the council taxbase. Details of the allocation of this additional flexibility and other issues arising are set out below, where relevant for each functional body.

### Mayor of London

5.2 The GLA has agreed, as announced on 24 January, to contribute up to £70 million towards the funding package for a new Museum of London to be constructed at West Smithfield by 2022. The GLA's funding for this will be provided as a long term revenue contribution to the City of London Corporation who are joint statutory funders of the Museum with the GLA and who will provide the cash flow for the GLA's £70 million contribution. There is £4.0 million in respect of this included in the 2017-18 budget which is made possible from the additional resource available after analysing the billing authority council tax and business rates January 2017 returns. This is subject to conclusion of a Heads of Terms for the project with the Museum and the Corporation and a separate legal agreement with the Corporation for the provision of the GLA's funding.

5.3 The Royal Docks Enterprise Zone (EZ) became operational in April 2013 and the growth in business rates above the 2013 baseline from within the designated area can be retained for 25 years. The GLA is the accountable body for the EZ which is located wholly within the London Borough of Newham and has the potential to deliver up to 40,000 jobs and 4,000 homes. Agreement has been reached with the Council over governance arrangements and the operational framework for the collection and use of the business rates. A dedicated team and early delivery projects to accelerate development are under consideration, but this would be budget neutral, being funded from ring fenced EZ business rates.

5.4 The Mayor's draft budget highlighted that £48.6 million of general reserves balances was earmarked to create a new capital reserve (after taking into account amounts which may be necessary for other specific purposes). It is intended that the balance on the additional retained business rates and council tax income of £19.3 million, after allowing for the allocations described elsewhere in this document, be allocated to the capital reserve. Therefore, it is estimated that this reserve will be £67.9 million at 1 April 2017.

5.5 This reserve may provide a source of funding for potential projects which fall outside of the Government funded schemes in Housing and Land and those arising from the Government's Growth Deal 3. Projects that may be funded from this reserve include continuing the GLA's tree planting and parks programmes, establishing a GLA controlled energy supply company, support for smart meters, the buildings retrofit programme, and other measures to develop new and innovative approaches to energy efficiency, starting with an early trial of net-zero-energy retrofitting of homes. The reserve may also be available to support a range of cultural programmes including a Creative Land Trust to support London's artists through the provision of affordable creative workspace across the capital and the establishment of Creative Enterprise Zones. Proposals for use of this reserve will be taken forward in the new financial year.

5.6 The Mayor has also allocated £122,000 for an additional air quality project and £128,000 for the Mayor's Young Musicians Fund to allow one music scholarship for each Borough. These will be funded from the surplus in the Assembly's Development and Resettlement Reserve.

**London Assembly**

5.7 The Mayor has taken the decision that the £0.5 million of one-off funding released from the Assembly's Development and Resettlement Reserve will be used to fund 2017-18 knife crime programmes in the MOPAC budget and additional one-off spend as described directly above.

**Mayor's Office for Policing and Crime (MOPAC)**

5.8 MOPAC's council tax requirement has been increased by £2.5 million compared to the Draft Consolidated Budget and the business rates allocation to MOPAC has increased by £1.1 million.

5.9 The Mayor has allocated £0.25 million of the Assembly's surplus one-off reserve of £0.5 million to MOPAC for knife crime programmes. The release of the reserve is managed through the GLA Mayor component budget and the funding is received by MOPAC as additional business rates income.

5.10 The remaining £3.3 million additional allocation in 2017-18, and recurring each year thereafter, provides additional support to MOPAC to help maintain police officer numbers. It also reflects MOPAC's share of the additional Council Tax buoyancy arising from billing authorities' returns consistent with the Mayor's decision to increase the police precept by 1.99 per cent from £202.11 in 2016-17 to £206.13 in 2017-18, in accordance with the Home Office's expectations.

5.11 Accordingly in 2017-18 £2.5 million of the £3.3 million is allocated through the increase in the tax base compared to the draft budget with the remaining £0.8 million made up of additional business rates income. Details of future years' plans for carrying forward this ongoing £3.3 million to MOPAC are set out in Part II.

5.12 The Mayor has raised concerns about the deliverability of the assumed savings arising from the Met's transformation programme. He asked MOPAC and the MPS to review again the assumptions behind their savings to ensure that all of the figures are robust. This further review by MOPAC and MPS has identified higher than anticipated ICT related costs, with lower planned ICT savings and slippage in fleet and property related savings.

5.13 Whilst further work is being undertaken to review costs and plans the Mayor is not presently confident that all the original assumptions can be sustained. Accordingly, pending the conclusions of this review, the savings to be identified in the MOPAC budget have been increased by £64.6 million in cumulative terms by 2020-21 compared to the draft budget. Further, earmarked reserves have also been reduced by £13.6 million by 2020-21 from £44.9 million in the draft budget to £31.3 million. These higher level of savings required and greater use of reserves demonstrate the financial challenges faced by MOPAC and MPS. Work will continue to ensure that MOPAC's Medium Term Financial Strategy is robust and deliverable.

5.14 As a result of this review there has also been a reduction in the planned level of capital spending from £1,587.5 million to £1,415.6 million over the five year period 2016-17 to 2020-21. Re-profiling of the expenditure across the period has also been included to reflect the capacity and capability of the MPS to deliver the programme.

5.15 As a result of the reduction in total expenditure there is a significantly lower need to borrow. The revised programme now expects borrowing to be £290 million. There is no planned new borrowing for 2017-18. The changes to prudential indicators arising from the change in the capital programme are set out in Part 2 of the Final Draft Consolidated Budget.

**London Fire and Emergency Planning Authority (LFEPA)**

5.16 LFEPA's budget has been updated to reflect its latest budget plans. There is no change to the funding allocations to LFEPA set out in the draft budget but LFEPA's latest budget plans show a reduction of the savings to be identified in 2019-20 and 2020-21 from £0.4 million and £13.9 million respectively (on a cumulative basis), to £0.0 million and £9.1 million. There are also increases in the savings and efficiencies identified in 2017-18 and 2019-20 from £7.6 million to £7.8 million and £0.9 million to £1.0 million respectively.

5.17 The Policing and Crime Act has now been granted Royal Assent. The Home Office has confirmed that its intention is for LFEPA's last day of operation to be 30 September 2017 with the new governance arrangements to commence on 1 October 2017.

**Future Years**

5.18 The Mayor has issued 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 and Council Tax Referendum Issues

6.1 In deciding on the proposed spending plans across the GLA group of just under £16 billion gross the key priorities have been to protect fare payers and to help ensure Londoner's safety by increasing the police precept to the level assumed by the Government when it determined the Police Funding Settlement.

6.2 The Mayor's budget requires a Band D council tax of £280.02 for 2017-18 in the 32 London boroughs - £4.02 per annum or 8p per week higher than in 2016-17. The entire increase will be invested to help maintain police officer numbers across London. The non-police precept paid by council taxpayers the area of the Common Council of the City of London remains unchanged at £73.89. These Band D amounts are estimated to generate £804.8 million in council tax revenues.

6.3 Details of the provisions for the holding of Council Tax referendums are set out in Part III. The local government "Excessiveness Principles" for 2017-18 for the GLA is likely to be considered by Parliament for approval on 22 February 2017; after the date of the Assembly's final budget meeting on 20 February 2017. The published draft principles state that increases of 2 per cent or higher in the GLA's relevant basic amount of council tax is to be deemed excessive for the purposes of the council tax referenda legislation. This position is not expected to change and this Final Draft Budget has been prepared on that basis.

6.4 As a result the Mayor confirms that neither (1) the "adjusted" relevant basic amount of council tax (which applies in the 32 boroughs throughout Greater London outside the City of London), and (2) the "unadjusted" relevant basic amount of council tax (which applies within the area of the City of London only) are excessive for the purposes of the anticipated local government "Excessiveness Principles" for 2017-18. (For either figure to be regarded as excessive the 32 borough figure would have to increase to £281.51 or above and the City figure to £75.36 or above.)

## 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 increase the police precept to help maintain officer numbers.

7.3 The Mayor is satisfied that he has weighed respective interests fairly and that his increase in the council tax will help 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 final draft consolidated budget and the GLA Group council tax requirement for the GLA and the functional bodies of £804,779,495 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 £24.8 million surplus in respect of council tax and a £27.5 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.

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

| *Constituent body* | *Component council tax requirement* |
|---|---|
| Mayor of London | £65,891,423 |
| London Assembly | £2,615,000 |
| Mayor's Office for Policing and Crime | £592,035,072 |
| 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** | **£804,779,495** |

**Sadiq Khan**
Mayor of London

## Annex A

## Final draft component and consolidated council tax requirements 2017-18

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

| Line | Sum | Description |
|---|---|---|
| 1 | £1,025,358,558 | estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act |
| 2 | £1,900,000 | estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act |
| 3 | £84,314,092 | estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act |
| 4 | £27,458,336 | 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 | £1,139,030,986 | 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 | -£139,700,000 | 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 | £0 | estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act |
| 8 | £0 | 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 | -£908,619,021 | 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 | -£24,820,542 | 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 | -£1,073,139,563 | 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 | £0 | estimate of Mayor's reserves to be used in meeting amounts in line 5 above under s85(5)(b) of the GLA Act |
| 13 | -£1,073,139,563 | 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 | £65,891,423 | 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 final draft component council tax requirement for the Mayor for 2017-18 is £65,891,423**

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

| Line | Sum | Description |
|---|---|---|
| 15 | £7,400,000 | 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 | £7,400,000 | 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 | £0 | 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 | £0 | 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 | -£4,785,000 | 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 | £0 | 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 | -£4,785,000 | 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 | -£4,785,000 | 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 final draft component council tax requirement for the Assembly for 2017-18 is £2,615,000**

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

| Line | Sum | Description |
|---|---|---|
| 29 | £3,269,158,972 | 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 | £3,269,158,972 | 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 | -£263,562,000 | 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 | -£420,143,000 | estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act |
| 36 | -£1,882,068,900 | 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 | -£29,550,000 | 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 | -£2,595,323,900 | 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 | -£81,800,000 | estimate of MOPAC's reserves to be used in meeting amounts in line 33 above under s85(5)(b) of the GLA Act |
| 41 | -£2,677,123,900 | 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 | £592,035,072 | 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 final draft component council tax requirement for the MOPAC for 2017-18 is £592,035,072**

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

| Line | Sum | Description |
|---|---|---|
| 43 | £426,750,000 | 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 | £2,750,000 | 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 | £429,500,000 | 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 | -£34,900,000 | 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 | -£12,200,000 | estimate of LFEPA's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act |
| 50 | £0 | 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 | -£244,162,000 | 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 | -£291,262,000 | 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 | £0 | estimate of LFEPA's reserves to be used in meeting amounts in line 47 above under s85(5)(b) of the GLA Act |
| 55 | -£291,262,000 | 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 final draft component council tax requirement for LFEPA for 2017-18 is £138,238,000.**

**Transport for London ("TfL") final draft component budget**

| Line | Sum | Description |
|---|---|---|
| 57 | £6,978,000,000 | 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 | £0 | 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 | £6,978,000,000 | 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 | -£5,822,500,000 | 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 | -£67,200,000 | estimate of TfL's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act |
| 64 | -£228,000,000 | 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 | -£854,300,000 | 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 | -£6,972,000,000 | 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 | -£6,972,000,000 | 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 final draft component council tax requirement for TfL for 2017-18 is £6,000,000.**

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

| Line | Sum | Description |
|---|---|---|
| 71 | £39,900,000 | estimated expenditure of LLDC for the year calculated in accordance with s85(4)(a) of the GLA Act |
| 72 | £0 | 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 | £39,900,000 | 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 | -£16,800,000 | 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 | -£16,800,000 | 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 | -£33,600,000 | 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 | -£6,300,000 | estimate of LLDC's reserves to be used in meeting amounts in line 75 above under s85(5)(b) of the GLA Act |
| 83 | -£39,900,000 | 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 final draft component council tax requirement for the LLDC for 2017-18 is £0.**

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

| Line | Sum | Description |
|---|---|---|
| 85 | £7,300,000 | 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 | £7,300,000 | 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 | -£4,800,000 | 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 | -£2,500,000 | 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 | -£7,300,000 | 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 | -£7,300,000 | 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 final draft component council tax requirement for the OPDC for 2017-18 is £0.**

**Greater London Authority ("GLA") final 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 | Sum | Description |
|---|---|---|
| 99 | £804,779,495 | 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 final draft consolidated council tax requirement for the GLA for 2017-18 is £804,779,495**

## Annex A

## Aggregate GLA Group budget for 2017-18

Estimated Expenditure

| £ | GLA Mayor | GLA Assembly | MOPAC | LFEPA | TfL | LLDC | OPDC | Total |
|---|---|---|---|---|---|---|---|---|
| Estimated expenditure | £1,025,358,558 | £7,400,000 | £3,269,158,972 | £426,750,000 | £6,978,000,000 | £39,900,000 | £7,300,000 | £11,753,867,530 |
| Estimated allowance for contingencies | £1,900,000 | £0 | £0 | £0 | £0 | £0 | £0 | £1,900,000 |
| Estimated reserves to be raised for meeting future expenditure | £84,314,092 | £0 | £0 | £2,750,000 | £0 | £0 | £0 | £87,064,092 |
| Estimate of reserves to meet a revenue account deficit including forecast collection fund deficit for retained business rates | £27,458,336 | £0 | £0 | £0 | £0 | £0 | £0 | £27,458,336 |
| **Estimated total expenditure** | **£1,139,030,986** | **£7,400,000** | **£3,269,158,972** | **£429,500,000** | **£6,978,000,000** | **£39,900,000** | **£7,300,000** | **£11,870,289,958** |

## Annex A

Estimated Income and Calculation of Council Tax Requirement

| £ | GLA Mayor | GLA Assembly | MOPAC | LFEPA | TfL | LLDC | OPDC | Total |
|---|---|---|---|---|---|---|---|---|
| Estimate of non government grant income | -£139,700,000 | £0 | -£263,562,000 | -£34,900,000 | -£5,822,500,000 | -£16,800,000 | -£4,800,000 | -£6,282,262,000 |
| Estimate of specific government grant income | £0 | £0 | -£420,143,000 | -£12,200,000 | -£67,200,000 | £0 | £0 | -£499,543,000 |
| Estimate of general government grant income | £0 | £0 | -£1,882,068,900 | £0 | -£228,000,000 | £0 | £0 | -£2,110,068,900 |
| Estimate of Retained Business Rates income | -£908,619,021 | -£4,785,000 | -£29,550,000 | -£244,162,000 | -£854,300,000 | -£16,800,000 | -£2,500,000 | -£2,060,716,021 |
| Collection fund surplus for council tax | -£24,820,542 | £0 | £0 | £0 | £0 | £0 | £0 | -£24,820,542 |
| **Estimated total income before use of reserves** | **-£1,073,139,563** | **-£4,785,000** | **-£2,595,323,900** | **-£291,262,000** | **-£6,972,000,000** | **-£33,600,000** | **-£7,300,000** | **-£10,977,410,463** |
| Estimate of reserves to be used | £0 | £0 | -£81,800,000 | £0 | £0 | -£6,300,000 | £0 | -£88,100,000 |
| **Estimated total income after use of reserves** | **-£1,073,139,563** | **-£4,785,000** | **-£2,677,123,900** | **-£291,262,000** | **-£6,972,000,000** | **-£39,900,000** | **-£7,300,000** | **-£11,065,510,463** |
| **Council tax requirement** | **£65,891,423** | **£2,615,000** | **£592,035,072** | **£138,238,000** | **£6,000,000** | **£0** | **£0** | **£804,779,495** |
| | | | | | | | | |
| **COUNCIL TAXBASE** | **2,879,204.53** | **2,879,204.53** | **2,872,144.14** | **2,879,204.53** | **2,879,204.53** | **2,879,204.53** | **2,879,204.53** | |
| **BAND D COUNCIL TAX** | **£22.89** | **£0.91** | **£206.13** | **£48.01** | **£2.08** | **£0.00** | **£0.00** | **£280.02** |

# Part 2
# Final Draft Consolidated Budget 2017-18

Explanation of Proposals

# CONTENTS

# Introduction and Overview

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 Old Oak Common and Park Royal Development Corporation (OPDC).

1.2 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**

1.3 The Mayor's key objective in this Budget is to support London's further success, entrepreneurial spirit, thriving economy, extraordinary diversity and creativity, tolerance and openness to the world. Amongst the key deliverables in this Budget are, as follows, to:

- plan for a record-breaking investment of £3.15 billion to support 90,000 new affordable homes in the capital;
- develop new strategies, including a new London Plan and a transport strategy, to shape London's long term future in a way that works for all Londoners;
- fund new and refocussed projects to promote and enhance London's economic strengths, tackle social integration, and to improve London's environment;
- maintain the strategic target of 32,000 police officers for London;
- provide neighbourhood policing for all and better support for victims. Plans includes a knife-crime crackdown and an overhaul of child protection in the capital;
- dispatch a fire engine within 10 minutes to any incident anywhere in London 90 per cent of the time. This is an improvement on the current standard;
- tackle London's filthy air that is resulting in 9,400 deaths every year by doubling the amount spent on improving air quality from £425 million committed by the previous Mayor to £875 million through to 2021-22;
- make transport more affordable by keeping TfL fares at current levels, protecting concessions and extending the new Hopper fare over the Mayor's first term;
- adapt bus services to meet changing demand across London without reducing the network overall and improving journey times and reliability;
- increase the capacity on Underground and rail services, introducing the new Crossrail line and expanding the Overground, Docklands Light Railway and tram networks;
- shift towards active and healthier travel for Londoners, with reduced traffic, making walking, cycling and public transport safer and more attractive;
- commit to speed up the delivery of housing on the Queen Elizabeth Olympic Park; and

- support for London's largest opportunity area through the Old Oak and Park Royal Development Corporation.

**Overall gross revenue and capital expenditure of the GLA Group**

1.4 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2017-18 compared to 2016-17.

| **Total gross revenue and capital expenditure net of council tax collection fund surplus** | **2016-17 £m** | **2017-18 £m** | **Change £m** | **Change %** |
|---|---|---|---|---|
| *Revenue:* | | | | |
| GLA: Mayor | 312.4 | 273.5 | -38.9 | -12% |
| GLA: Assembly | 7.2 | 7.4 | 0.2 | 3% |
| Mayor's Office for Policing and Crime (MOPAC) | 3,309.9 | 3,269.1 | -40.8 | -1% |
| London Fire and Emergency Planning Authority (LFEPA) | 434.2 | 426.8 | -7.4 | -2% |
| Transport for London (TfL) | 6,830.6 | 6,978.0 | 147.4 | 2% |
| London Legacy Development Corporation (LLDC) | 41.5 | 39.9 | -1.6 | -4% |
| Old Oak and Park Royal Development Corporation (OPDC)[1] | 9.2 | 7.3 | -1.9 | -21% |
| **Total revenue (GLA Group services)** | **10,945.0** | **11,002.0** | **57.0** | **1%** |
| Add business rates retention tariff and levy payments to CLG to support local government services outside London | 364.5 | 753.7 | 389.2 | 107% |
| Council tax collection fund (surplus) | -32.4 | -24.8 | 7.6 | -23% |
| Business rate collection fund deficit | 78.7 | 27.5 | -51.2 | -65% |
| **Total revenue (including tariff and levy payments and net collection fund deficit)** | **11,355.8** | **11,758.4** | **402.6** | **4%** |
| *Capital:* | | | | |
| GLA: Mayor | 630.0 | 634.7 | 4.7 | 1% |
| Mayor's Office for Policing and Crime (MOPAC) | 194.7 | 366.3 | 171.6 | 88% |
| London Fire and Emergency Planning Authority (LFEPA) | 34.8 | 53.8 | 19.0 | 55% |
| Transport for London (TfL) | 3,553.9 | 2,969.4 | -584.5 | -16% |
| London Legacy Development Corporation (LLDC) | 109.1 | 104.0 | -5.1 | -5% |
| **Total capital** | **4,522.5** | **4,128.2** | **-394.3** | **-9%** |
| **Grand total capital and revenue** | **15,878.3** | **15,886.6** | **8.3** | **0%** |

Note 1: See also text in paragraph 1.8.

1.5 The gross expenditure for the GLA, Assembly and each functional body is funded through a combination of resources directly controlled and allocated by the Mayor and other sources of income such as specific government grants and fares income. As such, increases or decreases in gross expenditure do not necessarily indicate increases or decreases in the allocation of resources controlled by the Mayor.

1.6 The large increase in the tariff and forecast levy payment in 2017-18 is due to the impact of the 2017 business rates revaluation applied to a higher GLA share of locally collected business following the transfer of the TfL capital grant (formerly paid by the Department for Transport) and Revenue Support Grant (formerly paid by the Department for Communities and Local Government) into the business rates retention system.

1.7 Revenue figures for 2016-17 in the table at paragraph 1.4 reflect the revised budget position, except for OPDC where the forecast outturn has been used (NB. OPDC's revised budget for 2016-17 is £11.4 million). The capital figures for 2016-17 reflect forecast outturn data as this provides a more meaningful comparator in each case. GLA revenue expenditure is net of council tax and business rates collection fund surplus and deficit estimates and forecasts. The collection fund surpluses and deficits reflect the difference between the level of council tax and business rates income forecast by the London billing authorities (the 32 London Boroughs and the City of London Corporation) compared to actual outturn. The 2017-18 figures are estimates provided by the 33 billing authorities in January 2017.

1.8 Overall gross revenue and capital expenditure, after taking into account the impact of the council tax and business rates collection fund surpluses and deficits, has increased by £8.3 million in 2017-18 from 2016-17. Total revenue expenditure excluding the business rates retention tariff and forecast levy payment to the Government and collection fund surpluses and deficits for council tax and business rates has increased by £57.0 million. The net decrease in the Group's capital expenditure in 2017-18 primarily reflects the reduction in expenditure year on year on Crossrail as it nears completion, partially offset by increases in the capital spending plans for MOPAC and LFEPA. Despite the Mayor's increased allocation of his resources to MOPAC, there is a decrease in their gross revenue expenditure. There is, however, an overall increase in TfL's gross revenue expenditure with reductions for the other functional bodies.

1.9 After allowing for fares, charges, other income and use of reserves, gross revenue expenditure of £11,758.4 million, including the impact of the council tax and business rates collection fund surpluses and deficits, for 2017-18 (including the rates retention tariff and estimated levy payments totalling £753.7 million) translates into net expenditure to be financed from government grants, retained business rates and the council tax precept of £5,475.1 million.

**Council tax precept**

1.10 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.

1.11 The Mayor proposes to increase the Band D precept paid by residents of the 32 London Boroughs by £4.02 in 2017-18 to £280.02 in order to provide additional resources to support front line policing. This is in accordance with the Home Office expectations around police funding which assume that the precepts for all English police forces are increased by 1.99 per cent. The Mayor's provisional 2017-18 precept for the Common Council of the City of London which is outside the Metropolitan Police district remains at the same £73.89 level as in 2016-17. More detailed information about the precept and its calculation are included in Appendix H.

1.12 The forecast consolidated council tax requirement for 2017-18 based on these council tax figures is £804.8 million. Details of the component council tax requirements for each member of the GLA Group for 2017-18, and indicative figures for the following three years, are set out below.

| **Component council tax requirements** | **Approved 2016 17 £m** | **Proposed 2017-18 £m** | **Plan 2018 19 £m** | **Plan 2019 20 £m** | **Plan 2020 21 £m** |
|---|---|---|---|---|---|
| GLA (Mayor) | 60.8 | 65.9 | 70.1 | 74.5 | 78.9 |
| GLA (Assembly) | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| MOPAC | 566.7 | 592.0 | 603.9 | 616.0 | 628.3 |
| LFEPA | 138.2 | 138.2 | 138.2 | 138.2 | 138.2 |
| TfL | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| LLDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OPDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Consolidated council tax requirement** | **774.3** | **804.8** | **820.9** | **837.3** | **854.0** |
| *Total Band D council tax payable in:* | | | | | |
| 32 London Boroughs | £276.00 | £280.02 | £280.02 | £280.02 | £280.02 |
| Common Council of the City of London | £73.89 | £73.89 | £73.89 | £73.89 | £73.89 |

Note: The GLA Mayor component is net of council tax collection fund surpluses.

1.13 The council tax requirement for 2017-18 and the Band D precept has been updated to take into account the council tax base and business rates income forecasts for 2017-18 as well as the GLA's share of the collection fund surplus or deficits from both revenue streams for 2016-17 provided by the 33 London billing authorities in January 2017. In addition Parliament is not expected to formally approve the local government, fire and police grant reports until 22 February. The final draft budget is based on the final police grant settlement announced on 1 February and the figures we have been advised by the Department of Communities and Local Government will be announced in respect of the GLA in the final local government and fire settlement. The final local government finance settlement had not been published at the date this document was written.

1.14 The above table therefore reflects the actual 2.4 per cent increase in the council tax base in 2017-18 compared to 2016-17 and for 2018-19 onwards assumes a 2 per cent increase per year. This means the level of funding provided for policing via the council tax requirement is £25.3 million or 4.4 per cent higher in 2017-18 compared to 2016-17. This tax base buoyancy also explains the assumed increase in Council Tax income for MOPAC in 2018-19 and subsequent years. The actual estimated council tax collection fund surplus of £24.8 million for 2016-17 which will be received by the GLA in 2017-18. Due to uncertainty on the overall financial situation no surplus is assumed for subsequent years.

1.15 The Band D precept levels in total and for the policing and non policing elements are assumed at this stage to remain the same in 2018-19, 2019-20 and 2020-21. Decisions on the actual precept level for 2018-19 onwards will be taken by the Mayor in due course once the Home Office has confirmed the funding settlements for those years for police and fire services and has set out its assumptions on council tax levels. The effect of the actual 2.4 per cent tax base buoyancy in 2017-18 and assumed 2 per cent tax base buoyancy from 2018-19 onwards for police and non police services is reflected at this stage in the MOPAC and GLA (Mayoral) component budgets.

1.16 The budget also reflects the forecast income for 2017-18 and the updated estimate for 2016-17 supplied by billing authorities for business rates. There is potential for there to be a significantly greater degree of variation between these forecasts and the eventual outturn compared to earlier years as the GLA's share of retained business rates income is proposed to increase from 20 per cent to 37 per cent from April 2017 and the ongoing uncertainty around business rates appeals continues.

1.17 The budget reflects the expected transfer of TfL's £960 million capital investment grant and the Mayor's £148.5 million revenue support grant for fire services and the GLA into the business rates retention system from April 2017. Due to the combined impact of these proposed changes and the 2017 revaluation in London the GLA's business rates income before tariff payments will increase from £1.3 billion to over £3.0 billion. There also remains significant uncertainty relating to outstanding and future business rates appeals. The GLA had a £165 million provision for future appeals refunds on its balance sheet at 31 March 2016 and this is likely to exceed £300 million in 2017-18 due to the GLA's higher business rates share.

1.18 Forecast council tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2017-18 including government grants and fare revenues are summarised below:

| Spending plans and council tax requirements net of council tax collection fund surplus | 2017-18 £m | 2017-18 % |
|---|---|---|
| Spending plans | 11,758.4 | 100% |
| *Less:* | | |
| Fares income | 4,877.4 | 41% |
| Home Office Police General and Formula Grant | 1,882.0 | 16% |
| Other general income | 1,404.9 | 12% |
| Retained business rates | 1,307.1 | 11% |
| Business rates income used to fund tariff and levy payment to DCLG | 753.7 | 6% |
| GLA Transport Grant (general element) | 228.0 | 2% |
| Home Office specific grants | 420.1 | 4% |
| Other specific Government grants | 79.4 | 1% |
| Net contribution to reserves | 1.0 | 0% |
| **Consolidated Council tax requirement for GLA Group** | **804.8** | **7%** |

1. Retained business rates include sums allocated to the Business Rates Reserve. The business rates income received from London billing authorities which is forecast to be paid to the Government via the tariff and levy is shown separately.

**Business rates retention and Revenue Support Grant**

1.19 Appendix H sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations made by the Mayor. This reflects the impact of the proposed transfer of the GLA's revenue support grant into business rates retention. Appendix I sets out the technical assumptions underpinning the planned funding allocations. The specific allocations – where applicable – to each functional body are addressed in the relevant sections.

**Business rates retention tariff and levy payments to the Government**

1.20 The GLA is a pilot authority for the planned roll out of 100 per cent business rates retention by 2019-20. On the basis of the agreement reached between the Mayor, London Councils and the Secretary of State the GLA's share of retained business rates will be increased in 2017-18 from 20 per cent to 37 per cent offset by a reduction in the Government's central share from 50 per cent to 33 percent. This reflects the impact of rolling in of TfL's £960 million investment (capital) grant and the GLA's £148.5 million revenue support grant into the rates retention system. Additional retained business rates to reflect this is allocated to TfL's capital spending plan set out in section 9 and Appendix D. The share of retained business rates for the 33 London billing authorities remained unchanged in 2017-18 at 30 per cent. Formal confirmation of the GLA's pilot is expected in the final local government finance settlement which is expected to be approved by Parliament on 22 February. The necessary changes to secondary legislation to implement the GLA's pilot will be laid before Parliament shortly thereafter.

1.21 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 by inflation. This represents the difference between its business rates income and its funding baseline.

1.22 This budget assumes that the tariff payment will increase by £361.6 million (101 per cent) from £358.6 million in 2016-17 to £720.2 million in 2017-18 in line with the expected final local government finance settlement. This reflects the GLA's 37 per cent share of the estimated £900 million increase in business rates liabilities in London as a result of the 2017 revaluation adjusted for September 2016 RPI inflation of 2 per cent. These additional sums payable by ratepayers gross of transitional relief are not retained locally under the business rates retention system as revaluations are revenue neutral nationally. The additional tariff payment will therefore be transferred to support local authorities in the rest of England experiencing a reduction in business rates income as a result of the revaluation.

1.23 Under the business rates retention system it is also estimated that in 2017-18 the GLA will be required to pay 25.5 per cent of any real terms growth secured as a levy payment to the Secretary of State – a figure which is expected to be confirmed in the final local government finance settlement. Based on the forecasts assumed in this document it is estimated that the levy payment for 2017-18 will be approximately £42.3 million compared to a forecast of £5.9 million for 2016-17. These are indicative estimates and the 2017-18 figures will be revised before the final draft budget to reflect the forecasts supplied by the 33 billing authorities by the end of January. The actual levy payment to the Secretary of State, if applicable, will be based on the 2017-18 business rates outturn data provided by billing authorities in September 2018. Unlike the tariff no levy payments are transferred to the Secretary of State until after the outturn data has been received.

1.24 The GLA's tariff payment is expected to be adjusted from 2018-19 onwards to deliver the TfL capital grant allocations set out in the 2015 Spending Review and the agreed four year settlement for revenue support grant. In addition, any other funding or functions devolved, such as Adult Education and Skills funding from 2019-20 announced in the 2016 Autumn Statement, will also be adjusted for by a revision to the tariff payment and/or the GLA's share of business rates. Decisions on the final split of business rates income between the 33 London billing authorities and the GLA following the introduction of 100 per cent business rates retention from 2019-20 will be determined by the Mayor, borough Leaders and London Councils in consultation with the Government.

1.25 Further details on business rates retention and the funding assumptions made in this Budget are set out in Appendices H and I.

**Funding allocations from sources over which the Mayor has direct control**

1.26 The table below summarises the proposed funding allocations from retained business rates and Council Tax to the GLA, Assembly and the relevant functional bodies for 2017-18 compared to the 2016-17 original allocations. These are the funds which the Mayor has the ability to apply and reallocate across the GLA group at his discretion, subject to the Assembly's consideration of the Mayor's draft budget proposals. Further details on the Business Rates Reserve can be found in Section 2.

1.27 The table details the Mayor's allocation of business rates for functional body services. Business rates transactions within the Business Rates Reserve (i.e. the levy and tariff payment and any collection fund deficits), which are distinct from business rates allocations for services, are dealt with separately within the GLA Group item budget in Table 2 of Appendix A. In the statutory calculations for the GLA Mayor component budget in Appendix I these business rates payments are aggregated with the assumed council tax collection fund surplus to determine the gross expenditure figure. The business rates allocation for the GLA: Mayor in the table below also includes sums that will be used to fund LLDC and OPDC service expenditure (i.e. £16.8 million and £2.5 million) which are reflected in those two functional bodies' statutory calculations in Part 1 Annex A.

1.28 The table below shows that the principal changes in the allocation of funds across the GLA Group are the increased allocation to MOPAC, the allocation of additional devolved business rates to TfL relating to the transfer of its Department for Transport (DfT) capital investment grant into business rates retention and a small reduction in the GLA Mayor's funding. More details are set out in Appendix I.

**Allocation of funding sources over which the Mayor has direct control**

| 2017-18 (£m) | Mayor | Assembly | MOPAC | LFEPA | TFL | Total |
|---|---|---|---|---|---|---|
| Council tax | 65.9 | 2.6 | 592.0 | 138.2 | 6.0 | 804.8 |
| Revenue Support Grant | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Business rates (revenue) | 85.9 | 4.8 | 29.6 | 244.2 | 854.3 | 1,218.8 |
| Business rates (capital) | 0.0 | 0.0 | 0.0 | 0.0 | 960.0 | 960.0 |
| **Total Mayoral funding** | **151.8** | **7.4** | **621.6** | **382.4** | **1,820.3** | **2,983.5** |

| 2016-17 (£m) | Mayor | Assembly | MOPAC | LFEPA | TFL | Total |
|---|---|---|---|---|---|---|
| Council tax | 60.8 | 2.6 | 566.7 | 138.2 | 6.0 | 774.3 |
| Revenue Support Grant | 10.0 | 2.5 | 27.1 | 128.5 | 0.0 | 168.1 |
| Business rates | 65.5 | 2.1 | 0.0 | 115.7 | 854.3 | 1,037.6 |
| Resource applied from the Business Rates Reserve | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 | 22.3 |
| **Total Mayoral funding** | **158.6** | **7.2** | **593.8** | **382.4** | **860.3** | **2,002.3** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Change in funding** | **-6.8** | **0.2** | **27.8** | **0.0** | **960.0** | **981.2** |

**Notes to table under paragraph 1.29**

1. Figures are net of council tax collection fund surpluses and tariff and levy payments to the Government under the business rates retention scheme.
2. In 2017-18 the GLA's entire revenue support grant is expected to be rolled into retained business rates and therefore the allocations from this source are assumed to be nil.
3. The GLA: Mayor business rates allocation includes sums used to fund LLDC and OPDC of £16.8 million and £2.5 million which are reflected in their statutory calculations in Part 1 Annex A
4. The TfL capital funding via retained business rates is reflected in its capital spending plan in Appendix D. It does not form part of its consolidated revenue budget.

**Equalities**

1.29 Promoting equality is a key foundation for the Mayor's social mobility and social integration priorities. A new Group Equality Framework is being prepared to reflect this change in priorities and approach.

1.30 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.

1.31 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**

1.32 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.

1.33 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 and funding assumptions underpinning the budget proposals. 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.

1.34 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:

| | |
|---|---|
| Tom Middleton (for GLA) | e-mail: tom.middleton@london.gov.uk |
| Martin Mitchell (for MOPAC) | e-mail: martin.mitchell@london.gov.uk |
| Matthew Beals (for LFEPA & TfL) | e-mail: matthew.beals@london.gov.uk |
| Ray Smith (for LLDC) | e-mail: ray.smith@london.gov.uk |
| David Gallie (for OPDC) | e-mail: david.gallie@london.gov.uk |

# Greater London Authority: Mayor of London

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. It 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 proposed investments will support the Mayor's ambitions to:

- address capacity issues in areas which were neglected by the previous administration, such as social integration and mobility, economic fairness, culture and creative industries and the environment;
- make a start in tackling London's housing crisis, using the housing grant of £3.15 billion to support delivery starts of 90,000 affordable homes by 2021, accelerating the development of the GLA's own land portfolio as well as the Housing Zones, and addressing the scourge of rough sleeping;
- interrogate the viability information of developments and ensure the proposed levels of affordable housing are robustly assessed by setting up a new viability team within Planning;
- improve London's infrastructure and local economies through the Growing Places Fund, the Further Education Capital Fund, and the forthcoming Growth Deal 3, with the provision of space and support for small and medium sized enterprises (SMEs) so they can grow, innovate and create new jobs, the creation of new capacity for London's infrastructure, a stronger high street economy, and modernised, better equipped further education colleges;
- support the creative sector across the whole of London with strong cultural programmes (such as creative enterprise zones, the London Borough of Culture scheme and a creative land trust) and supporting economic growth and the provision of studios and workshops for creative industries;
- tackle environmental issues with a fully resourced air quality function within the GLA (to support local action with schools and help bring London to legal compliance as quickly as possible (for example, through the T-Charge and bringing forward the Ultra Low Emissions Zone) and energy efficiency initiatives to reduce carbon emissions and to alleviate fuel poverty;
- support children and early years learning and development, and address the multiple issues of quality, cost and availability of childcare provision in London promoting collaborative approaches amongst partners;

- build strong communities and connections across social divides, and encourage Londoners to play active roles in the city as citizens and neighbours;
- deliver new Mayoral strategies which provide a lever to implement change beyond the GLA's own budget reach, such as the London Plan, the Transport Strategy or the Health Inequalities Strategy; and
- engage in a better dialogue with Londoners to ensure that the GLA is responsive, delivers valued benefits for Londoners and ensures value for money by centralising the marketing budget to prevent uncoordinated growth bids.

**Gross revenue expenditure**

2.4 Excluding inter group items and Group wide business rates retention payments the Mayor is proposing a decrease in combined capital and revenue budget for 2017-18 of £34.2 million. Gross revenue expenditure for services (before contributions to reserves) is to be decreased by £38.9 million to £273.5 million in 2017-18 compared to the revised budget for 2016-17 of £312.4 million. This reduction primarily reflects the ending of the GLA's payments funded by the council tax precept for the 2012 Olympics - £28.3 million - and a £15.6 million reduction in expenditure on Elections in 2017-18 following the Mayoral and Assembly elections held during 2016-17. After adding contributions to reserves and the business rates retention tariff and levy payment which forms part of its component budget the GLA's gross expenditure for statutory calculation purposes is proposed to be £1,027.2 million. The Mayor's planned capital expenditure in 2017-18 is to be increased by £4.7 million to £634.7 million.

2.5 The Mayor's proposed capital plan is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix A. The revenue budget, alongside the GLA Group item budget, is described below.

**Net revenue expenditure and council tax requirement**

2.6 After deducting fees, charges, investment income, business rate supplement revenues used to finance Crossrail borrowing, and contributions to earmarked reserves, net expenditure for 2017-18 for GLA Mayor services is proposed to be £151.8 million.

2.7 The £151.8 million financing requirement for services excludes transactions relating to GLA Group items which are dealt with separately in Table 2 of Appendix A. These GLA Group items are managed through resources that are technically held within the GLA Mayor component budget but they are displayed separately in order to make clear the distinction between expenditure and income relating to GLA: Mayor services and that relating to the GLA Group. In the statutory calculation of the GLA Mayor component budget in Appendix H the combined business rates retention tariff and estimated levy payment for 2017-18 of £753.8 million and £24.8 million council tax collection fund surplus is included in the gross expenditure totals. These adjustments result in a statutory net expenditure figure for the GLA of £1,139.0 million. After deducting income from retained business rates and the collection fund surplus the statutory council tax requirement for the Mayor is £65.9 million.

2.8 The Mayor's budget on directorate basis is set out overleaf.

| Objective analysis<br>GLA: Mayor services | Revised Budget<br>2016-17<br>£m | Forecast<br>2016-17<br>£m | Budget<br>2017-18<br>£m | Plan<br>2018-19<br>£m | Plan<br>2019-20<br>£m | Plan<br>2020-21<br>£m |
|---|---|---|---|---|---|---|
| *Directorate Expenditure* | | | | | | |
| Development, Enterprise & Environment | 16.6 | 15.7 | 16.0 | 14.7 | 14.4 | 14.4 |
| Housing & Land | 23.2 | 22.9 | 26.3 | 25.0 | 25.0 | 25.0 |
| Communities & Intelligence | 24.2 | 23.7 | 23.3 | 19.2 | 22.3 | 21.6 |
| External Affairs | 7.8 | 7.9 | 9.2 | 9.2 | 9.0 | 9.0 |
| Resources | 28.1 | 28.2 | 27.2 | 26.5 | 26.5 | 26.5 |
| Corporate Management Team | 1.8 | 1.5 | 1.1 | 1.1 | 1.1 | 1.1 |
| Mayor's Office | 4.6 | 4.3 | 4.6 | 4.6 | 4.6 | 4.6 |
| Elections | 15.6 | 15.9 | 0.3 | 0.8 | 6.5 | 17.9 |
| **Sub-total Directorate Expenditure** | **121.9** | **120.1** | **108.0** | **101.1** | **109.4** | **120.1** |
| Olympic Funding Agreement | 28.3 | 28.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Museum of London | 8.0 | 8.0 | 11.6 | 11.6 | 11.6 | 11.6 |
| London and Partners | 11.4 | 11.4 | 11.9 | 11.9 | 11.9 | 11.9 |
| Contingency | 1.1 | 1.1 | 1.9 | 1.5 | 1.0 | 0.5 |
| **Other service expenditure** | **48.8** | **48.8** | **25.4** | **25.0** | **24.5** | **24.0** |
| Financing costs – Crossrail | 116.4 | 116.4 | 115.0 | 117.3 | 112.9 | 109.0 |
| Financing costs – Northern Line Extension | 5.4 | 5.4 | 5.4 | 10.0 | 14.0 | 23.6 |
| Financing costs – other | 7.0 | 7.0 | 7.0 | 6.5 | 6.1 | 6.1 |
| Provision for repayment of debt | 10.5 | 10.5 | 10.8 | 8.9 | 7.9 | 7.1 |
| **Financing Costs** | **139.3** | **139.3** | **138.2** | **142.7** | **140.9** | **145.8** |
| Interest receipts | -10.9 | -11.4 | -10.9 | -8.0 | -8.0 | -8.0 |
| Crossrail Business Rate Supplement | -116.4 | -116.4 | -115.0 | -117.3 | -112.9 | -109.0 |
| Northern Line Extension contributions | -5.4 | -5.4 | -5.4 | -10.0 | -14.0 | -23.6 |
| GLAP recharge | 0.0 | 0.0 | -6.5 | -6.5 | -6.5 | -6.5 |
| **Income** | **-132.7** | **-133.2** | **-137.8** | **-141.8** | **-141.4** | **-147.1** |
| Transfer of resource to Mayoral Development Corporation Reserve held in GLA Group item budget | 0.0 | 0.0 | 0.0 | 5.6 | 8.7 | 10.4 |
| Transfer to/ (from) reserves held for GLA services | -35.9 | -30.8 | 18.0 | 6.1 | -3.2 | -13.5 |
| **Net service expenditure after use of reserves** | **141.4** | **144.2** | **151.8** | **138.7** | **138.9** | **139.7** |
| Revenue Support Grant | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained business rates | 48.3 | 51.1 | 85.9 | 68.6 | 64.4 | 60.8 |
| Funding for services from Business Rates Reserve | 22.3 | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Council tax requirement** | **60.8** | **60.8** | **65.9** | **70.1** | **74.5** | **78.9** |

1 Use of reserves excludes movements on the Business Rates Reserve and Mayoral Development Corporation Reserve

### Explanation of budget changes

2.9 An analysis of the year on year movement in the proposed council tax requirement for the GLA: Mayor compared to the revised budget for 2016-17 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix A sets out a subjective analysis of the Mayor's budget.

| Changes in the council tax requirement | £m |
|---|---|
| 2016-17 council tax requirement | 60.8 |
| *Changes due to:* | |
| Inflation | 1.0 |
| Savings and efficiencies | -2.1 |
| Net change in service expenditure and financing costs | -42.4 |
| Change in use of reserves | 53.9 |
| Net change in Government grants , retained rates and other funding sources | -5.3 |
| **2017-18 council tax requirement** | **65.9** |

### Inflation

2.10 The budget includes a provision for inflation of £1.0 million; approximately £0.5 million of which relates to inflation on salary related costs.

### Savings and efficiencies

2.11 The budget incorporates planned savings and efficiencies of £2.1 million.

### Net change in service expenditure and financing costs

2.12 The budget proposes a £42.4 million net reduction in service and financing costs. The two largest items in this reduction are the ending of the Olympic Funding Agreement payments, with the final payment being made in 2016-17, accounting for £28.3 million of the reduction, and the reduction of £15.6 million in election related expenditure, following the elections held for the Mayor and Assembly in May 2016. These reductions are offset by smaller increases in some budget lines such as the increase in funding for the Museum of London of £3.6 million compared to 2016-17.

2.13 Financing costs are also forecast to reduce by £1.1 million compared to the revised 2016-17 budget and income of £6.5 million relating to the GLA Land and Property Ltd (GLAP) recharge is forecast to be received in 2017-18 whereas there was no such income in 2016-17. GLAP undertakes the vast majority of the GLA's land, property and commercial activities.

**Change in use of reserves**

2.14 The budget proposes a net change in the budgeted use of reserves of £53.9 million. This reflects the transfer of a one-off resource of £0.5 million from the Assembly's Resettlement and Development Reserve to finance non-recurring expenditure on a knife crime programme for MOPAC and an additional air quality project and a music scholarship fund within the GLA Mayor budget. The change also reflects the transfer of £19.3 million of available resource to the newly created GLA capital reserve.

**Net change in Government grants and retained business rates**

2.15 The net change in Government grants and retained rates is an increase of £5.3 million. Retained business rates funding allocated by the Mayor in 2017-18 is £37.6 million greater than in 2016-17 (which includes the £19.3 million of resource being allocated to the newly created GLA capital reserve) but this is offset by the ceasing of the GLA's Revenue Support Grant (£10.0 million) which is proposed to be rolled into the GLA's business rates retention funding from 2017-18 and a one-off use of Business Rates Reserve resources of £22.3 million in 2016-17 which is being applied to support the GLA budget.

**Equalities**

2.16 The Mayor will issue a revised equalities framework for the GLA Group in early 2017, reflecting the high priority that the Mayor places on making London a fairer and more equal city.

2.17 Furthermore the budget proposals include capacity building for the GLA's Diversity and Social Policy team, and for community engagement, both in terms of an increased staffing complement and a programme budget for research, analysis, programming and engagement. This will enable the team to pioneer policies and interventions that directly support equality initiatives in the capital, as well as providing a more effective support and challenge function on equalities within the GLA and to the GLA Group.

2.18 Equalities impacts continue to be considered when individual programmes and project specifications are developed and approved through the Authority's decision making processes. This approach will be further developed as the new equality framework is rolled out and as the Mayor's policy agenda in this area is implemented

**Environmental impact**

2.19 This budget provides funding within the Housing and Land; Communities and Intelligence; and Development, Enterprise and Environment directorates and other parts of the organisation to:

- establish Energy for Londoners, supporting local and community energy enterprises, and buying clean energy generated across the city;

- tackle London's dangerously poor air quality by supporting TfL's action (T-Charge and ULEZ for example), influence emissions from new and existing buildings and reduce emissions from construction and help restore air quality to legal and safe levels;

- invest in green space, ensuring children can have access to nature, and implement a tree planting programme, with a particular focus on routes to schools and colleges, to increase tree cover by 5 per cent by 2025;

- reinvigorate efforts to increase recycling in London; help manage flood risks and develop smart approaches to tackling the capital's environmental challenges;

- prepare a new London Environment Strategy, inform policies in other strategies (such as Transport, Health Inequalities and the London Plan) and support the impact assessments of all new Mayoral strategies; and

- collaborate with other cities through international networks such as the C40 Cities Climate Leadership Group and the International Council for Local Environmental Initiatives (ICLEI) to share best practice and develop innovative solutions to the challenges of tackling climate change.

**Reserves**

2.20 At 31 March 2017, the Mayor forecasts that the GLA Mayor's general reserves balance will total £10.0 million. The current policy is to maintain a minimum balance on this reserve of £10 million and therefore on this basis £48.6 million is being released. However, given the need for future capital investment as demonstrated by the Mayor's priorities for affordable housing, energy, environment, etc., a new capital reserve is being created from funds released (after taking into account amounts which may be necessary for other specific purposes).

2.21 A balance of £10 million is judged to be adequate as:

- the major financial risks facing the GLA are covered by earmarked reserves, accounting provisions and reasonable insurance provisions;
- working capital and cash flow risks are currently being effectively managed through balances on the Group Investment Syndicate (GIS); and
- there is a well embedded process for reporting significant risks, financial and otherwise, to senior management.

2.22 The balance on the Business Rates Reserve is forecast to be £188.2 million at the end of 2017-18, with the estimated balance on the Mayoral Development Corporation Reserve standing at £18.4 million. These two reserves relate to GLA Group item expenditure but are held within GLA: Mayor component budget.

2.23 The Business Rates Reserve is used to manage business rates income risk. Balances on the reserve reflect the GLA's share of the billing authorities' (the 32 boroughs and City of London) forecast business rates income for 2017-18 as well as the allocation of council tax collection fund surpluses. There are a number of uncertainties concerning the forecast level of business rates receivable in 2017-18. The primary uncertainty is the impact of the April 2017 revaluation on the level of appeals by business rates payers that the London billing authorities must forecast and provide for in their forecast business rates receivable from ratepayers in 2017-18 and future years. These appeals may take several years to materialise and be cleared by the Valuation Office Agency.

2.24 The forecast for 2017-18 received in January 2017 reflect the billing authorities' estimates of the GLA's share of retained business rates income in 2017-18. The returns show a 'surplus' in business rates income in 2017-18, over-and-above the business rates resource allocated to the functional bodies for services and the tariff and estimated levy payments to the Government. After allocating a portion of the additional income receivable compared to the draft budget to a newly created GLA capital reserve – as outlined above, the Mayor plans to hold the remainder of the forecast surplus in the Business Rates Reserve as contingency against the risk of business rates income in future years being less than forecast.

2.25 Given the degree of uncertainty surrounding forecast business rates income the Mayor has taken the decision that for 2018-19 to 2020-21 it is prudent not to forecast any surplus (or deficit) in business rates income. These assumptions and forecast business rates income for 2017-18 to 2020-21 will be reviewed and updated once the billing authority draft outturn returns for 2016-17 are received in April 2017.

2.26 The £24.8 million council tax collection fund surplus in 2017-18 is allocated to the Business Rates Reserve. The impact of this and the surplus business rates income forecast in 2017-18 results in the reserve balance standing at £188.2 million at the close of 2020-21.

2.27 Earmarked reserves for GLA: Mayor services are forecast to be £187.3 million at the close of 2017-18. This reflects the creation of the GLA capital reserve (which is forecast to have a balance of £67.9 million at 1 April 2017) and the release of £0.5 million from the Assembly Resettlement Reserve. Certain earmarked reserves are to be wound down with any remaining funds released or transferred to other reserves. A further review of earmarked reserves is being undertaken.

| **Movement in reserves during financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Opening balances | 289.3 | 440.7 | 324.0 | 403.9 | 404.2 | 398.3 |
| *Transfers to/from:* | | | | | | |
| Business Rates Reserve | 137.0 | -74.5 | 66.3 | 0.0 | 0.0 | 0.0 |
| Mayoral Development Corporation Reserve | -7.7 | -11.4 | -4.4 | -5.8 | -2.7 | -1.0 |
| Reserves earmarked for GLA services | 22.1 | 17.8 | 18.0 | 6.1 | -3.2 | -13.5 |
| General reserves | 0.0 | -48.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Closing balances** | **440.7** | **324.0** | **403.9** | **404.2** | **398.3** | **383.9** |

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

| **Total reserves at end of financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Business Rates Reserve | 196.4 | 121.9 | 188.2 | 188.2 | 188.2 | 188.2 |
| Development Corporation Reserve | 34.2 | 22.8 | 18.4 | 12.6 | 9.9 | 8.9 |
| Reserves earmarked for GLA services | 151.5 | 169.3 | 187.3 | 193.4 | 190.2 | 176.8 |
| General reserves | 58.6 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 |
| **Total** | **440.7** | **324.0** | **403.9** | **404.2** | **398.3** | **383.9** |

# Greater London Authority: London Assembly

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 Travel Watch, 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 Travel Watch; and
- the Greater London Returning Officer in the effective planning and management of the Mayoral and London Assembly elections.

3.3 The Mayor is proposing that the Assembly's gross and net revenue expenditure for 2017-18 is £7.4 million.

3.4 Deducting the retained business rates shares for the Mayor and Assembly and having regard to their respective net expenditure, results in the Mayor proposing a council tax requirement for the Assembly of £2.6 million in 2017-18. The revenue budget for the Assembly is set out in the table overleaf on an objective basis.

| Objective analysis Assembly | Revised Budget 2016-17 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Assembly Members | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Member Services | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 |
| Scrutiny and Investigations | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Committee Services | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Director/ Business Support | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| London TravelWatch | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| **Net revenue expenditure** | **7.2** | **7.2** | **7.4** | **7.4** | **7.4** | **7.4** |
| **Financed by:** | | | | | | |
| Revenue support grant | 2.1 | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained Business Rates | 2.5 | 2.5 | 4.8 | 4.8 | 4.8 | 4.8 |
| **Council tax requirement** | **2.6** | **2.6** | **2.6** | **2.6** | **2.6** | **2.6** |

1. The Assembly's budget includes recharges of expenditure and income for shared services provided to other parts of the GLA Group.

### Explanation of budget changes

3.5 An analysis of the year on year movement in the Mayor's proposed council tax requirement for the Assembly compared to the revised budget for 2016-17 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix A sets out a subjective analysis of the Assembly's budget

| Changes in the Assembly's council tax requirement | £m |
|---|---|
| 2016-17 council tax requirement | 2.6 |
| *Changes due to:* | |
| New initiatives | 0.2 |
| Increase in resources allocated by the Mayor | -0.2 |
| **2017-18 council tax requirement** | **2.6** |

3.6 The Assembly requires growth of £150,000 in 2017-18 (£200,000 in a full year) arising from scrutiny functions arising from the proposed creation of the London Fire Commissioner following the abolition of LFEPA This growth is proposed to be financed from an increase in Retained Business Rates.

### Equalities and environmental impact

3.7 There are no specific equalities or environmental impact from the Assembly's budget.

**Reserves**

3.8 The Assembly's Development and Resettlement Reserve was £1.8 million at 31 March 2017. £0.5 million will be released from this reserve as the Assembly, in consultation with the Mayor, has confirmed that the amount sufficient to meet future expenditure to be held in the reserve is £1.3 million. The amount of £1.3 million includes a sum of £0.3 million held for contingency. The one-off £0.5 million released from the reserve has been used to finance non-recurring expenditure within the MOPAC and GLA budgets to tackle knife crime, invest in tackling air quality and supporting music scholarships for one child from every London Borough.

# Mayor's Office for Policing and Crime

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 draft Police and Crime Plan sets out the Mayor's proposed strategy for policing and crime reduction over a four year period from 2017-18 to 2020-21.

**Gross revenue expenditure**

4.2 Gross revenue expenditure by MOPAC is to be reduced by £40.8 million to £3,269.1 million in 2017-18 compared to the revised budget for 2016-17. Total capital expenditure is forecast to be £366.3 million in 2017-18 – an increase of £171.6 million.

4.3 The Mayor's proposed Capital Plan for MOPAC is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix B. The Mayor's revenue budget for MOPAC is described below.

**Net revenue expenditure and council tax requirement**

4.4 The Mayor's proposed revenue budget for MOPAC is set out overleaf on an objective basis.

4.5 After deducting fees, charges, and other income and use of reserves MOPAC's approved net expenditure for 2017-18 before the application of government grants, retained business rates and council tax is £2,923.7 million. After allowing for specific grants, the Mayor is setting funding for MOPAC at £2,503.6 million. The Mayor's approved council tax requirement for MOPAC has been increased by £25.3 million to £592.0 million compared to 2016-17. This reflects an increase in the police precept of 1.99 per cent in 2017-18 in order to provide additional resources to support front line policing - in line with Home Office expectations - and the impact of the actual 2.4 per cent council tax base buoyancy confirmed by the billing authorities in January 2017.

| Objective analysis MOPAC | Revised Budget 2016-17 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Territorial policing | 1,157.4 | 1,153.6 | 1,134.6 | 1,134.6 | 1,134.6 | 1,134.6 |
| Specialist crime & operations | 730.4 | 709.5 | 742.3 | 729.6 | 730.3 | 730.3 |
| Specialist operations | 325.7 | 332.6 | 320.0 | 320.0 | 320.0 | 320.0 |
| Met HQ | 594.9 | 624.4 | 544.6 | 524.1 | 530.5 | 436.3 |
| **Total business groups** | **2,808.4** | **2,820.0** | **2,741.6** | **2,708.4** | **2,715.4** | **2,621.3** |
| Discretionary pension costs | 35.9 | 33.5 | 35.9 | 35.9 | 35.9 | 35.9 |
| Centrally held | 98.7 | 83.3 | 136.0 | 190.9 | 245.9 | 299.0 |
| Capital financing costs | 43.0 | 42.9 | 42.9 | 42.9 | 48.8 | 56.5 |
| Interest receipts | -1.3 | -2.3 | -1.3 | -1.3 | -1.3 | -1.3 |
| **Total corporate budgets** | **176.2** | **157.5** | **213.5** | **268.4** | **329.2** | **390.0** |
| Mayor's Office for Policing and Crime | 52.0 | 49.4 | 50.4 | 50.1 | 50.1 | 46.3 |
| Savings to be identified | 0.0 | 0.0 | 0.0 | -93.7 | -169.8 | -184.7 |
| **Net revenue expenditure** | **3,036.6** | **3,026.9** | **3,005.5** | **2,933.2** | **2,924.9** | **2,872.9** |
| Transfer to/(from) reserves | -104.2 | -88.9 | -81.8 | -21.7 | -25.3 | 14.4 |
| **Financing requirement** | **2,932.4** | **2,938.0** | **2,923.7** | **2,911.5** | **2,899.6** | **2,887.3** |
| Specific Grants | 434.0 | 439.6 | 420.1 | 420.1 | 420.1 | 420.1 |
| Retained business rates (Ctax freeze grant) | 27.1 | 27.1 | 29.6 | 29.1 | 29.1 | 29.1 |
| Home Office General Policing Grant | 1,904.6 | 1,904.6 | 1,882.0 | 1,858.4 | 1,834.4 | 1,809.8 |
| **Council tax requirement** | **566.7** | **566.7** | **592.0** | **603.9** | **616.0** | **628.3** |

### Explanation of budget changes

4.6 An analysis of the year on year movement in the Mayor's proposed council tax requirement for MOPAC compared to the revised budget for 2016-17 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix B sets out a subjective analysis of MOPAC's budget.

| Changes in the council tax requirement | £m |
|---|---|
| 2016-17 council tax requirement | 566.7 |
| *Changes due to:* | |
| Inflation | 25.3 |
| Savings and efficiencies | -74.8 |
| Net changes in existing service expenditure | 18.3 |
| Change in use of reserves | 22.4 |
| Net change in Government grants and retained rates | 34.0 |
| **2017-18 council tax requirement** | **592.0** |

### Inflation

4.7 The budget includes a provision for inflation of £25.3 million to reflect the anticipated cost increases, including 2 per cent for staff and PCSO pay as part of a multi-year pay agreement, 1 per cent for police officer pay and a contingency sum for the non-pay inflation.

### Savings and efficiencies

4.8 The budget incorporates planned savings and efficiencies of £74.8 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 as well as other front and middle office.

4.9 The MPS has plans to drive further savings and transformation across commercial contracts, estates and to dispose of significant numbers of properties to generate capital receipts to support the transformation of the service.

### New Initiatives and net change in existing services

4.10 The budget proposes the net change in existing services of £18.3 million when comparing the revised 2016-17 budget with the 2017-18 budget, after taking into account the effect of inflation and planned savings and efficiencies.

### Change in use of reserves

4.11 The budget proposes a net change in the budgeted use of reserves of £22.4 million when comparing the revised 2016-17 budget with the 2017-18 budget.

**Net change in Government grants and retained rates**

4.12 The reduction in Government grants and retained rates funding comparing the 2017-18 budget with the revised 2016-17 budget is £34.0 million. This is comprised of an increase of £2.5 million of retained business rates allocated by the Mayor offset by a £36.5 million combined net reduction in specific grants and the Home Office General Policing Grant.

**Equalities**

4.13 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**

4.14 MOPAC's planning framework will help to ensure that environmental sustainability issues are properly reflected in future plans and budgets.

**Reserves**

4.15 At 31 March 2017, the Mayor forecasts that MOPAC's general reserves balance will total £46.6 million. This level of general reserves is forecast to be maintained to the end of 2020-21.

4.16 As part of the MPS's transformation strategy and investment in new IT, the balances on MOPAC's earmarked reserves are forecast to reduce from £145.8 million as at 31 March 2017 to £31.3 million at 31 March 2021.

| **Movement in reserves during financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Opening balances | 419.3 | 296.6 | 192.4 | 110.6 | 88.9 | 63.6 |
| *Transfers to/from:* | | | | | | |
| Earmarked reserves | -122.7 | -104.2 | -81.8 | -21.7 | -25.3 | 14.4 |
| General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Closing balances** | **296.6** | **192.4** | **110.6** | **88.9** | **63.6** | **78.0** |

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

| **Total reserves at end of financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Earmarked reserves | 250.0 | 145.8 | 64.0 | 42.3 | 17.0 | 31.3 |
| General reserves | 46.6 | 46.6 | 46.6 | 46.6 | 46.6 | 46.6 |
| **Total** | **296.6** | **192.4** | **110.6** | **88.9** | **63.6** | **78.0** |

# London Fire and Emergency Planning Authority

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. The Policing and Crime Act has now been granted Royal Assent. The Home Office has confirmed that its intention is for LFEPA's last day of operation to be 30 September 2017 with the new governance arrangements to commence on 1 October 2017. Accordingly the Mayor will set a budget for LFEPA for 2017-18, which will then be adopted by the LFC.

5.2 The London Safety Plan sets out LFEPA's key priorities. A new plan is currently in draft. It is anticipated that this new London Safety Plan will be adopted in April 2017. Therefore, LFEPA's main commitments set out below are still subject to consultation and change. LFEPA's key priorities are to:

- engage with London's communities to inform and educate people in how to reduce the risk of fires and other emergencies;
- influence and regulate the built environment to protect people, property and the environment from harm;
- plan and prepare for emergencies that may happen and making a high quality, effective and resilient response to them;
- use their resources in a flexible and efficient way arriving at incidents as quickly as they can;
- develop and train staff to their full potential, at the same time transforming the Brigade so that it is a place where people want to work, and have the opportunity to influence how LFEPA works; and
- maximise how they spend their money, ensuring that the Brigade is supported through intelligent systems and data, property investment, procurement, vehicles and equipment.

### Key deliverables

5.3 LFEPA's proposed headline targets in the draft London Safety Plan are to:

- achieve fairness for Londoners by having all London boroughs below the national (England) average rate for primary fire;
- reduce the rate of fires in the home;
- reduce the rate of fires in other buildings (where fire safety regulations typically apply);
- reduce the rate of fires in care homes and specialist housing for older people;
- reduce the risk of death from all fires and from accidental fires in the home;
- reduce the risk of injury from fire;
- prevent fires in the home and promote safer living, by visiting people at home, focusing those visits to those most at risk;
- improve compliance with fire safety regulations, by delivering fire safety audits to the places in London where the regulations apply;

- make London a safer place for the future, by educating young people on the risks from fire and other emergencies;
- make fire engines available to respond to genuine emergencies by reducing the number of attendances to false alarms from automatic systems in non-domestic buildings;
- dispatch fire engines quickly to emergency incidents after answering a 999 call;
- ensure fire engines arrive quickly at emergency incidents; and
- plan that 90 per cent of all first fire engines arrive within 10 minutes of being dispatched. This is an improvement over the existing target.

### Gross revenue expenditure

5.4 The Mayor is proposing an increase in LFEPA's combined capital and revenue budget for 2017-18 of some £11.6 million. Gross revenue expenditure by LFEPA is to be decreased by some £7.4 million to £426.8 million in 2017-18 compared to the revised budget for 2016-17 of £434.2 million. LFEPA's planned capital expenditure in 2017-18 is to be increased by around £19.0 million to £53.8 million.

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

### Net revenue expenditure and council tax requirement

5.6 The Mayor's proposed revenue budget for LFEPA is set out on the next page on an objective basis.

5.7 After deducting fees, charges, and other income and use of reserves from LFEPA's gross revenue expenditure of £426.8 million, the Mayor proposes that its net expenditure for 2017-18 will be £394.6 million. The Mayor also proposes that the council tax requirement for LFEPA is £138.2 million. LFEPA has also been allocated £244.2 million in retained business rates which includes former Revenue Support Grant for fire and rescue services.

| Objective analysis LFEPA | Revised Budget 2016-17 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Community safety | 33.4 | 32.8 | 32.0 | 32.3 | 33.1 | 33.2 |
| Fire fighting and rescue | 336.2 | 331.3 | 328.6 | 326.0 | 335.5 | 337.0 |
| Fire-fighter pensions | 21.9 | 20.7 | 20.8 | 21.2 | 21.6 | 22.0 |
| Emergency planning and London Resilience Team | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Central services | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Savings to be required | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | -9.1 |
| **Net service expenditure** | **393.0** | **386.3** | **382.9** | **381.0** | **391.7** | **384.7** |
| Capital financing costs | 9.8 | 9.8 | 9.5 | 10.8 | 11.0 | 12.0 |
| External interest receipts | -0.5 | -0.5 | -0.6 | -0.6 | -0.5 | -0.5 |
| **Net revenue expenditure** | **402.2** | **395.6** | **391.8** | **391.2** | **402.2** | **396.2** |
| Transfer to/(from) reserves | -7.2 | -0.6 | 2.8 | 3.4 | -7.6 | -1.6 |
| **Financing requirement** | **395.0** | **395.0** | **394.6** | **394.6** | **394.6** | **394.6** |
| Specific grants | 12.5 | 12.6 | 12.2 | 12.2 | 12.2 | 12.2 |
| Revenue support grant | 128.5 | 128.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained Business Rates | 115.7 | 115.7 | 244.2 | 244.2 | 244.2 | 244.2 |
| **Council tax requirement** | **138.2** | **138.2** | **138.2** | **138.2** | **138.2** | **138.2** |

## Explanation of budget changes

5.8 An analysis of the year on year movement in the Mayor's proposed council tax requirement for LFEPA compared to the Mayor's approved budget for 2016-17 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 and details of its proposed savings and efficiencies.

| **Changes in the council tax requirement** | **£m** |
|---|---|
| 2016-17 council tax requirement | 138.2 |
| *Changes due to:* | |
| Inflation | 4.4 |
| Savings and efficiencies | -7.8 |
| New initiatives and service improvements | 2.1 |
| Change in use of reserves | 10.0 |
| Net Change in Government grants and retained rates | 0.4 |
| Other adjustments | -9.1 |
| **2017-18 council tax requirement** | **138.2** |

### Inflation

5.9 The Budget proposes that LFEPA make provision for inflation of £4.4 million in 2017-18.

### Savings and efficiencies

5.10 The Budget proposes that LFEPA make efficiencies of £7.8 million for 2017-18.

### New initiatives and service improvements

5.11 The Budget proposes that LFEPA plan on budgeting for £2.1 million of growth items in 2017-18. This includes £0.7 million to support staff development initiatives and £0.8 million for inoculations for staff to support the co-responder programme.

### Change in use of reserves

5.12 The Budget proposes that in 2017-18 LFEPA will have a change in use of balances of £10.0 million.

### Change in Government grants

5.13 The Mayor has provisionally set LFEPA's funding from Council Tax and Retained Business Rates to a total of £382.4 million in 2017-18. In addition, LFEPA is forecast to receive £12.2 million of specific government grants – resulting in total funding being made available by the Mayor of £394.6 million. This level of support is the same as in 2016-17 but reflects the devolution of Revenue Support Grant into Retained Business Rates.

### Other adjustments

5.14 Other adjustments largely includes one-off spend of £7.2 million that was financed from reserves and the reversal of a one-off £4.0 million payment into the Local Government Pension Scheme Fund, offset by the reversal of a one-off saving of £1.6 million on business rates bills on LFEPA properties.

### Equalities

5.15 London Fire Brigade (LFB) has recently launched an Inclusion Strategy that recognises the need to change LFB's approach to inclusion matters, and aims to deliver change through six strategic objectives:

- Developing an inclusive culture;
- Providing political and professional leadership to the inclusion agenda;
- Supporting our colleagues;
- Recruiting, retaining, developing and promoting a diverse workforce;
- Delivering services to diverse communities; and
- Using positive purchasing power.

5.16 The Inclusion Strategy has a ten year life span, and the budget includes growth to build capacity in the Inclusion Team and to fund initiatives necessary to deliver the Strategy effectively over this period.

5.17 LFB is also working closely with the GLA on its equalities framework to assist in realising shared objectives.

5.18 The equality impact of the budget submission has been considered in relation to the service LFB provides to Londoners and to the staff it employs. It should be noted that operational services are provided based on risk, and as such are not always directly linked to protected characteristics; community fire safety initiatives are targeted at areas where risk is highest, and these can include consideration of protected characteristics where they are relevant.

## Environmental impact

5.19 LFEPA has reviewed the savings proposals for sustainability and environmental implications. LFEPA's Sustainable Development Strategy and the environmental plans that sit under it drives its environmental performance.

5.20 LFEPA will continue to monitor performance through its ISO 14,001 certified Environmental Management System and Sustainable Development Annual Reports. This includes the 45 per cent $CO_2$ reduction target, the use of GLA programmes such as RE:FIT and moves towards a lower emission fleet.

## Reserves

5.21 At 31 March 2017, LFEPA's total reserves are expected to be £32.0 million and are forecast to increase to £34.8 million by the end of 2017-18, increasing to £38.1 million by the end of 2018-19, but decreasing to £30.5 million by the end of 2019-20 and to decrease to £28.9 million by the end of 2020-21. General reserves are forecast to stand at £17.8 million from 31 March 2017.

5.22 In addition, it is forecast that LFEPA will hold £14.2 million of earmarked reserves at 31 March 2017. Earmarked reserves are forecast to increase to £17.0 million by the end of 2017-18, increasing to £20.4 million by the end of 2018-19, but decreasing to £12.8 million by the end of 2019-20 and to decrease to £11.1 million by the end of 2020-21. The expected movements in reserves over the planning period are set out in the table below.

| **Movement in reserves during financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Opening balances | 19.2 | 33.0 | 32.0 | 34.8 | 38.1 | 30.5 |
| *Transfers to/from:* | | | | | | |
| Earmarked reserves | 12.5 | -4.8 | 2.8 | 3.3 | -7.6 | -1.6 |
| General reserves | 1.3 | 3.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Closing balances** | **33.0** | **32.0** | **34.8** | **38.1** | **30.5** | **28.9** |

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

| **Total reserves at end of financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Earmarked reserves | 19.0 | 14.2 | 17.0 | 20.4 | 12.8 | 11.1 |
| General reserves | 14.0 | 17.8 | 17.8 | 17.8 | 17.8 | 17.8 |
| **Total** | **33.0** | **32.0** | **34.8** | **38.1** | **30.5** | **28.9** |

# Transport for London

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 TfL's key deliverables over the next five years include:

- making transport more affordable by keeping TfL fares at current levels, protecting concessions and extending the new Hopper fare over the Mayor's term;
- adapting bus services to meet changing demand across London without reducing the network overall and improving journey times and reliability;
- increasing capacity in Underground and rail services, introducing the new Crossrail line, and expanding the Overground, Docklands Light Railway and tram networks;
- increasing investment in cycling from current levels over the next five years;
- adopting a 'Vision Zero' approach that will maximise safety in all our roads schemes, from infrastructure improvements to behaviour change and enforcement;
- investing through the Healthy Streets programme to help transform areas of London making the city a more attractive and accessible place in which to live, work and travel;
- making transport infrastructure more accessible by 2021-22, with some of our busiest stations becoming step-free, including Bond Street, Finsbury Park, Tottenham Court Road and Victoria and we want 40 per cent of Underground stations to be step-free;
- working with local businesses to help meet freight needs in the safest, cleanest and most efficient way possible providing better road information and improved coordination of planned roadworks;
- investing in cleaning up air quality by launching the world's first Ultra Low Emission Zone (ULEZ) in central London and improving the quality of life for Londoners;
- working to release 300 acres of TfL land for up to 10,000 homes, 50 per cent of which will be affordable, while providing new workspaces and offices;
- increasing commercial revenue from better use of TfL land and exploit other new opportunities;
- harnessing technology to improve journeys by allowing top-ups anywhere in our network. Thirty five per cent of pay as you go journeys on the Tube are now paid for with contactless cards;
- strengthening our partnerships with boroughs and communities by working more closely than ever on joint programmes and shared goals. TfL are working to transform areas including Tottenham Court Road, Stratford, Baker Street and the Vauxhall gyratory; and

- completion of the construction of Crossrail, and introducing the operation of, the Elizabeth line.

**Gross revenue and capital expenditure**

6.3 The Mayor is proposing that TfL's total gross operating expenditure budget for 2017-18 will increase by £147.4 million from £6,830.6 million to £6,978.0 million. This takes into account inflation, including bus contract and wage inflation, incremental efficiencies and an increase in debt service provision due to borrowing to provide for capital investment. In addition, total capital expenditure is planned to be £2,969.4 million which is £584.5 million lower than the 2016-17 budget of £3,553.9 million due mainly to the construction of Crossrail nearing completion.

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 in more detail in Appendix D. The Mayor's revenue budget for TfL is described below.

**Net revenue expenditure and council tax requirement**

6.5 After deducting fares income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net revenue expenditure for 2017-18 is £1,155.5 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 2017-18 is £6 million.

6.7 TfL is increasingly covering its operating costs from fares and other income and is looking to achieve operational break-even by 2020-21. 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.

| Objective analysis TfL | Revised Budget 2016-17 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| *Income* | | | | | | |
| Fares income | -4,860.9 | -4,722.8 | -4,877.4 | -5,119.8 | -5,562.8 | -6,030.1 |
| Congestion charge | -172.3 | -161.1 | -183.9 | -192.3 | -183.4 | -175.2 |
| Other income | -507.6 | -520.4 | -607.2 | -645.6 | -705.7 | -867.1 |
| Interest income | -12.3 | -8.2 | -2.1 | -2.4 | -3.2 | -4.5 |
| **Subtotal income** | **-5,553.1** | **-5,412.4** | **-5,670.6** | **-5,960.0** | **-6,455.1** | **-7,076.8** |
| *Operating costs* | | | | | | |
| London Underground | 2,260.6 | 2,206.7 | 2,292.2 | 2,153.8 | 2,203.7 | 2,227.2 |
| Surface transport | 2,929.1 | 2,844.9 | 2,897.9 | 2,959.6 | 3,015.2 | 3,184.5 |
| Rail | 574.1 | 552.6 | 592.5 | 792.2 | 931.0 | 961.3 |
| Corporate | 662.8 | 738.9 | 768.1 | 583.5 | 509.2 | 477.5 |
| London Transport Museum | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 | 12.4 |
| **Subtotal operating costs** | **6,438.9** | **6,355.6** | **6,563.1** | **6,501.5** | **6,671.5** | **6,863.0** |
| *Other* | | | | | | |
| Third-party contributions | -24.0 | -20.7 | -29.8 | -47.0 | -29.2 | -16.9 |
| Debt servicing | 391.6 | 371.2 | 415.0 | 455.3 | 486.1 | 521.9 |
| Group items | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Subtotal other** | **367.6** | **350.5** | **385.2** | **408.3** | **456.9** | **505.0** |
| **Net service expenditure** | **1,253.5** | **1,293.6** | **1,277.7** | **949.7** | **673.3** | **291.1** |
| Revenue resources used to support capital investment | 91.2 | 64.5 | -122.2 | -40.4 | 218.0 | 569.2 |
| **Financing requirement** | **1,344.7** | **1,358.2** | **1,155.5** | **909.3** | **891.3** | **860.3** |
| GLA Transport grant (general element) | 447.3 | 447.3 | 228.0 | 0.0 | 0.0 | 0.0 |
| Other Specific grants | 37.1 | 50.6 | 67.2 | 49.0 | 31.0 | 0.0 |
| Retained business rates | 854.3 | 854.3 | 854.3 | 854.3 | 854.3 | 854.3 |
| **Council tax requirement** | **6.0** | **6.0** | **6.0** | **6.0** | **6.0** | **6.0** |

### Explanation of budget changes

6.8 An analysis of the year on year movements in the council tax requirement is set out below and an explanation of each change is detailed in the paragraphs that follow.

| **Changes in the council tax requirement** | **£m** |
|---|---|
| 2016-17 council tax requirement | 6.0 |
| *Changes due to:* | |
| Inflation | 152.4 |
| Savings and efficiencies | -227.6 |
| Fares, charges and other income changes | -117.5 |
| New initiatives and service improvements (capital investment and net operational increases/decreases) | 39.6 |
| Change in use of general reserves | 0.0 |
| Changes in Government revenue grants | 189.2 |
| Change in retained business rates | |
| Other adjustments | -36.1 |
| **2017-18 council tax requirement** | **6.0** |

### Inflation

6.9 The Budget proposes that TfL's net costs will increase by £152.4 million as a result inflation.

### Savings and efficiencies

6.10 TfL will make additional cost reductions of £227.6 million in 2017-18.

6.11 The following major initiatives will deliver savings and efficiencies in 2017-18 totalling £227.6 million:

- £87.8 million on Surface Transport, including improved negotiation of bus contracts;
- £64.7 million on the London Underground, including a more efficient approach to maintenance; and
- £75.2 million in Corporate and TfL wide, the review of technology projects, consolidation of back office functions and pay and reward.

### Fares charges and other income

6.12 The Mayor announced an overall freeze on TfL fares to 2020. Single bus fares, single pay as you go fares on the Tube and DLR and Santander cycle hire, will be held at current prices. This will put more than £40 million back into the pockets of Londoners next year and encourage more people to use the network.

6.13 Travelcard prices and daily and weekly caps are set with the train operating companies and not therefore controlled by the Mayor.

6.14 During September 2016 the Hopper fare was introduced, allowing customers to make an extra bus journey free, as long as it is within one hour of touching in on the first bus. TfL are investing in technology to allow it to deliver unlimited journeys within an hour by the end of 2018.

6.15 All concessions will be protected during the Mayor's term, providing free or reduced fares to older and disabled people, children, those in receipt of Jobseekers Allowance, and other socially disadvantaged groups

**New initiatives and service improvements**

6.16 The Budget includes £39.6 million of new initiatives and service improvements. This predominately relates to the earlier implementation of Air Quality initiatives and bringing forward the Ultra Low Emission Zone (ULEZ) to 2019 (£31.7 million in 2017-18). This will help to reduce nitrogen oxide and particulate matter to improve the quality of life for Londoners. The total cost of implementing the new improved air quality initiatives is £467.5 million to 2020-21.

6.17 Other initiatives relate to the design costs of pedestrianisation of Oxford Street and Parliament Square (£7.9 million in 2017-18). The pedestrianisation of Oxford Street will turn one of the world's most polluted streets into one of the world's finest public spaces.

**Change in use of general reserves**

6.18 The Budget assumes no change in the use of general reserves.

**Change in Government grants**

6.19 TfL's overall income from Government grants and retained business rates will decrease by £189.2 million in 2017-18 compared to 2016-17. The general element of GLA's transport grant will be £228.0 million in 2017-18 and TfL is also forecast to receive £67.2 million in specific grant income for revenue purposes. This is the final year in which the GLA will receive a general transport grant from central government in line with the 2015 Spending Review.

6.20 The Mayor has allocated £854.3 million in rates retention funding in 2017-18 to TfL for its operational expenditure. This assumes no inflationary uplift from the 2016-17 funding for TfL's operational expenditure.

6.21 The indicative allocation of discretionary revenue income from the Mayor for 2018-19 and future years of this Mayoralty for TfL's operational expenditure will be held at the same cash level on a like for like basis as in 2016-17.

6.22 The Investment Grant, to be passported under business rate devolution in 2017-18 is expected to be paid at the level previously approved with HM Treasury in the 2015 autumn statement until 2020-21. The allocation for 2017-18 is £960 million and equivalent funding for 2018-19 is set to increase in line with TfL's Settlement.

6.23 Funding received under business rate devolution is not restricted to support capital investment and can be used to cover operating and financing costs.

**Other adjustments**

6.24 The Budget incorporates other adjustments to TfL's budget totalling £36.1 million which include changes in debt servicing and the movement in revenue resources to support capital investment.

**Equalities**

6.25 Meeting the needs and expanding opportunities for all Londoners – and, where appropriate, the needs of particular groups and communities – is at the heart of tackling issues of inequality across the Capital. The provision of a more accessible transport system and improved transport connectivity and capacity are very important in meeting this commitment. The TfL Business Plan 2016 is central to achieving TfL's commitments in relation to equality and for the delivery of their Action on Equality Plan published earlier this year.

6.26 The TfL Business Plan sets out planned expenditure for the whole of TfL from 2016-17 to 2021-22. This is made up of a number of projects and programmes across TfL, which will aim to achieve the goals set out in Action on Equality and the Mayor's Transport Strategy. The equality impacts of the TfL Business Plan have been considered in an Equality Impact Assessment. Each of the individual projects and programmes it contains will also be subject to its own full equality impact assessment. All protected groups will benefit from this overall business plan and the specific projects, outcomes and improved services which this will deliver. For example, encouraging the use of healthier transport options and improving air quality has health benefits for all groups and particular advantages for areas with health inequalities; making transport more affordable has positive benefits for those on low incomes.

**Environmental impact**

6.27 TfL plays an important role in helping the Mayor to achieve his vision for good growth in London whilst protecting and enhancing the environment. Our plans focus on addressing the key issues of air quality, climate change and greening the city, whilst providing social and economic value. TfL will continue to drive environmental performance and will continue to monitor and report on key environmental metrics each year.

**Reserves**

6.28 At 31 March 2017, TfL's general reserves balance is estimated to be £150.0 million. This balance is forecast to remain constant through to 31 March 2021. TfL maintains a general fund to ensure liquidity and protect from short-term fluctuations in cash requirements.

6.29 In addition, TfL estimates that it will hold £1,162.7 million of earmarked reserves at 31 March 2017 which is estimated to decrease to £477.4 million at 31 March 2021 based on TfL's planned profile of income and expenditure.

6.30 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 on a number of major capital programmes as part of the Investment Programme.

6.31 The expected movements in reserves over the planning period are set out in the table below:

| **Movement in reserves during financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Opening balances | 1,884.8 | 1,425.1 | 1,312.7 | 782.8 | 486.7 | 504.6 |
| *Transfers to/from:* | | | | | | |
| Earmarked reserves | -459.7 | -112.4 | -529.9 | -296.1 | 17.9 | 122.8 |
| General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Closing balances** | **1,425.1** | **1,312.7** | **782.8** | **486.7** | **504.6** | **627.4** |

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

| **Total reserves at end of financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Earmarked reserves | 1,275.1 | 1,162.7 | 632.8 | 336.7 | 354.6 | 477.4 |
| General reserves | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| **Total** | **1,425.1** | **1,312.7** | **782.8** | **486.7** | **504.6** | **627.4** |

# London Legacy Development Corporation

7.1 The London Legacy Development Corporation ('the Legacy Corporation') is responsible for promoting and delivering physical, social, economic and environmental regeneration in the Queen Elizabeth Olympic Park and 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 and supporting and promoting the aim of increased social mobility in surrounding communities.

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, Aquatics Centre, ArcelorMittal Orbit and the re-modelled Park opened in 2014. Residents began moving into the first phase of the Chobham Manor residential development in 2015-16. The Stadium opened permanently in summer 2016 as a new home for West Ham United, and as a host to UK Athletics and an events location (following a successful temporary re-opening for a series of events in summer 2015, including Rugby World Cup matches). A slide was added to the ArcelorMital Orbit which opened in June 2016.

7.3 Alongside its operational mobilisation, the Legacy Corporation's wider role in creating a great place and 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 Cultural and Education District (CED), 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 2017-18, the Legacy Corporation's revenue and capital budgets will be deployed to deliver the following strategic objectives:

- further completions of residential units at Chobham Manor, and progress on site at East Wick and Sweetwater;
- prepare development strategies for Pudding Mill Lane and Rick Roberts Way sites to deliver the Mayor's housing strategy, such that following the accelerated housing strategy, construction can start on site as soon as possible from 2020;
- secure planning and final business case approval and complete procurement for the construction of the Stratford Waterfront CED development;
- appoint a developer for the residential towers on Stratford Waterfront;
- complete the Hackney Wick station improvement works;
- host the 2017 World Athletic Championships and World Para Athletics Championships;
- meet the estimate of 5.6 million visitors to the Park in 2017-18;

- manage and maintain the quality of core Parklands and venues during development, including retaining Green Flag status;
- ensure that effective community development plans are in place and being delivered for the new residential neighbourhoods being developed, to ensure they are socially integrated with existing adjacent neighbourhoods;
- continue to work with CED partners and Foundation for Future London (FFL) to facilitate the development of the partnership so as to ensure delivery of the CED strategic objectives and to maximise the value of the cluster; and
- develop the Global Disability Innovation Hub by delivering the programme and handing over leadership to University College London (UCL) by no later than March 2018.

**Cultural and Education District (CED)**

7.5 The CED brings together the world class cultural and education institutions of Sadler's Wells, University of Arts London (UAL), UCL and the Victoria and Albert Museum (V&A) on the Park to create an arts and education quarter that will bring 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.

7.6 The FFL, an independent charity, has been established to secure 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. Philanthropic receipts of £14.5 million are forecast for 2017-18.

7.7 The proposed budgets for the CED are reflected in the Capital Plan which includes £11.1 million of expenditure in 2017-18. The implications for LLDC supporting this major complex development programme have been reflected in the staffing and associated revenue budget.

**Gross revenue and capital expenditure**

7.8 Gross revenue expenditure in 2017-18 is budgeted to be £39.9 million, including estimated capital financing costs of £12.2 million, (£27.7 million net of financing costs). This has decreased by £1.6 million from the 2016-17 revised budget due to gross savings and efficiencies of £2.9 million, offset by a £1.3 million increase in financing revenue.

7.9 The Mayor's proposed Capital Programme for the LLDC totals £104 million in 2017-18 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 £5.1 million lower than in 2016-17 reflecting mainly a reduction in venue transformation expenditure offset by increases in real estate and development infrastructure costs.

**Net revenue budget and council tax requirement**

7.10 Net revenue expenditure in 2017-18 is budgeted to be £35.3 million, (£23.1 million net of financing costs).

7.11 Net revenue expenditure has decreased by £1.4 million from the 2016-17 revised budget due to net savings, efficiencies, other cost and revenue movements of £2.7 million, offset by a £1.3 million increase in financing costs.

7.12 LLDC's revenue budget is summarised below. This includes capital financing costs to service borrowing, which has a net nil impact as the funding is provided by the GLA.

7.13 Funding for LLDC's net expenditure is split between retained business rates and resources applied from the Mayoral Development Corporation Reserve which is held as a development corporation resource within the GLA Group item budget (see the GLA Group item budget set out in Section 2 and in Table 2 of Appendix A).

| **Objective analysis LLDC** | **Revised Budget 2016-17 £m** | **Forecast Outturn 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Park, Operations, Venues and Trading | 10.8 | 9.7 | 10.2 | 10.7 | 11.1 | 11.3 |
| Development | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Regeneration | 3.1 | 3.7 | 4.2 | 2.5 | 2.4 | 2.2 |
| Corporate | 14.8 | 11.1 | 10.3 | 10.6 | 10.1 | 10.2 |
| Planning Authority | 1.1 | 2.7 | 2.3 | 2.2 | 1.9 | 1.9 |
| Irrecoverable VAT and contingency | 0.7 | 0.7 | 0.5 | 0.3 | 0.3 | 0.3 |
| Financing costs | 10.9 | 10.5 | 12.2 | 10.9 | 14.2 | 19.3 |
| **Total expenditure** | **41.5** | **38.5** | **39.9** | **37.3** | **40.0** | **45.3** |
| Park, Operations and Venues | -3.2 | -2.6 | -3.0 | -3.6 | -3.8 | -8.0 |
| Development | -0.2 | -0.1 | -0.1 | -0.2 | -0.7 | -1.4 |
| Regeneration | -0.3 | -0.3 | -0.2 | 0.0 | 0.0 | 0.0 |
| Planning authority income | -1.1 | -1.4 | -1.1 | -1.0 | -0.7 | -0.6 |
| Corporate | -0.1 | -0.3 | -0.1 | -0.1 | -0.1 | -0.1 |
| **Total income** | **-4.8** | **-4.7** | **-4.6** | **-5.0** | **-5.3** | **-10.1** |
| **Net expenditure** | **36.7** | **33.8** | **35.3** | **32.3** | **34.8** | **35.3** |
| Transfer to/(from) reserves | -8.6 | -6.1 | -6.3 | 0.0 | 0.0 | 0.0 |
| **Financing requirement** | **28.1** | **27.7** | **29.0** | **32.3** | **34.8** | **35.3** |
| GLA funding for core activities | 17.2 | 17.2 | 16.8 | 16.8 | 16.8 | 16.0 |
| GLA funding for financing costs | 10.9 | 10.5 | 12.2 | 10.9 | 14.2 | 19.3 |
| Savings to be identified | 0.0 | 0.0 | 0.0 | 4.6 | 3.8 | 0.0 |
| **Council tax requirement** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

### Explanation of budget changes

7.14 Most changes to the Legacy Corporation's budget reflect the changing scope of the organisation's work as the Corporation develops, the resource requirements to support the CED programme, the cost of managing the Park and venues alongside targeted savings and efficiencies. An analysis of the year on year movement in the council tax requirement is set out below.

| **Changes in the council tax requirement** | **£m** |
|---|---|
| 2016-17 council tax requirement | 0.0 |
| *Changes due to:* | |
| Inflation | 0.2 |
| Savings and efficiencies | -3.8 |
| New initiatives and service improvements | 1.0 |
| Change in use of reserves | 2.3 |
| Net change in GLA funding | 0.4 |
| **2017-18 council tax requirement** | **0.0** |

### Inflation

7.15 This reflects the increase in costs of a renegotiated lease on the office premises in Stratford which increased the rent charge from 2017-18 and staff pay inflation.

### Savings and efficiencies

7.16 The budget in 2017-18 includes proposed savings and efficiencies of £3.8 million, including increases in projected income. These include reductions in venue subsidies, savings/new income from implementation of the commercial strategy, a reduction in the security contingency and planned reductions in sports and community and business engagement programmes.

### New initiatives and service improvements

7.17 Areas where the Legacy Corporation’s expenditure will grow include the additional costs for the 2017 World Para Athletics Championships and increases in training initiatives and programmes for local people and licence costs for water discharges.

### Change in use of reserves

7.18 During 2016-17 the Legacy Corporation expects to draw down £6.1 million of revenue reserves, bringing the balance to £6.3 million as at 1 April 2017 and which will be drawn down in full in 2017-18.

### Change in GLA funding

7.19 The Legacy Corporation receives its revenue funding via the GLA and the Mayor proposes to reduce funding for core activities to £16.8 million from £17.2 million in 2016-17. Funding in 2018-19 and thereafter is subject to a further review of efficiencies in Park management and venue operations and the successful commercial exploitation of Park assets.

### Equalities

7.20 The Legacy Corporation has recently reviewed its equalities strategy. This promotes equality through its objectives to:

- establish successful and integrated neighbourhoods where people want, and can afford to live, work, and play;
- retain, attract and grow a diverse range of high quality businesses and employers, and maximise employment opportunities for local people and under-represented groups; and
- create a global, future-ready exemplar for the promotion of cross-sector innovation in technology, sustainability, education, culture, sport, inclusion and participation.

7.21 The LLDC is working closely with the GLA to set new strategic equality priorities that deliver the Mayor's ambitions. These are due to be published in January 2017, after which a revision to the current strategic equalities impact assessment will be undertaken.

### Environmental impact

7.22 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 publishes an annual sustainability report.

### Reserves

7.23 At 31 March 2016 the Legacy Corporation's general reserves balance was £12.4 million which is held to fund expenditure. This balance is forecast to fall to £6.3 million by 31 March 2017 and utilised in full by the end of 2017-18. The Mayor is not expecting the Corporation to hold any earmarked revenue reserves. As the GLA is the Legacy Corporation's principal funder revenue reserves will be held by the GLA. The expected movements in reserves over the planning period are set out in the table below.

| **Movement in reserves during financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Opening balances | 22.2 | 12.4 | 6.3 | 0.0 | 0.0 | 0.0 |
| *Transfers to/from:* | | | | | | |
| Earmarked reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General reserves | -9.8 | -6.1 | -6.3 | 0.0 | 0.0 | 0.0 |
| **Closing balances** | **12.4** | **6.3** | **0.0** | **0.0** | **0.0** | **0.0** |

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

| **Total reserves at end of financial year** | **Outturn 2015 16 £m** | **Forecast 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|---|
| Earmarked reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General reserves | 12.4 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **12.4** | **6.3** | **0.0** | **0.0** | **0.0** | **0.0** |

# Old Oak and Park Royal Development Corporation

8.1 The 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.

**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 2017-18 is £7.3 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 2017-18 is NIL. Its revenue budget is summarised below on an objective basis.

| Objective analysis OPDC | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| CEO Office | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 |
| Planning | 1.9 | 2.3 | 1.5 | 1.6 | 1.4 | 1.4 |
| Development | 6.3 | 3.6 | 3.4 | 3.1 | 3.1 | 3.0 |
| Regeneration and Partnership | 0.9 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Corporate Operations | 2.0 | 1.9 | 1.6 | 1.6 | 1.7 | 1.7 |
| **Total expenditure** | **11.8** | **9.2** | **7.3** | **7.2** | **7.1** | **7.1** |
| Planning application income | -0.4 | -0.7 | -0.4 | -0.4 | -0.4 | -0.4 |
| **Total income** | **-0.4** | **-0.7** | **-0.4** | **-0.4** | **-0.4** | **-0.4** |
| **Net expenditure** | **11.4** | **8.6** | **6.9** | **6.8** | **6.7** | **6.7** |
| GLA funding for core activities | 11.4 | 8.6 | 6.9 | 6.8 | 6.7 | 6.7 |
| **Council tax requirement** | **0.0** | **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 during its start-up period. An analysis of the year on year movement in the council tax requirement is set out below.

| Changes in the council tax requirement | £m |
|---|---|
| 2016-17 council tax requirement | 0.0 |
| *Changes due to:* | |
| Savings and efficiencies | -1.7 |
| Net change in GLA funding | 1.7 |
| **2017-18 council tax requirement** | **0.0** |

### Savings and efficiencies

8.6 The Budget proposes savings totalling £1.7 million compared to forecast spend in 2016-17.

### Change in GLA funding

8.7 The OPDC receives its revenue funding via the GLA. The total revenue grant made available by the Mayor is £6.9 million in 2017-18 – £1.7 million lower compared to forecast spend in 2016-17. A contingency of £2 million is held by the Mayor to support a 'self-funding' proposal to be developed by OPDC, to assist work by Homes for Londoners in bringing forward the wider development in particular future proofing Old Oak South for development and to enable OPDC to fully implement the recommendations in the Mayor's review.

**Equalities**

8.8 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. The OPDC's approach to inclusion is set out in its corporate policies.

**Environmental impact**

8.9 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**

8.10 The OPDC has no reserves at present as its operational expenditure is funded by the GLA.

# Final Draft Capital Spending Plan and Borrowing Limits

9.1 The Mayor is required to prepare a Capital Spending Plan (CSP) every year for each of the GLA's functional bodies. This section sets out the final draft capital spending plan. The Mayor is also required to set the proposed borrowing limits for the GLA Group – these are set out in Appendices A to F for the GLA and each functional body. These must be approved by separate Mayoral Decisions before 28 February and 31 March 2017 respectively.

**Key deliverables**

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

- plan for a record breaking investment of £3.15 billion to support 90,000 new affordable homes in the capital;
- fund new and refocussed projects to promote and enhance London's economic strengths, tackle social integration and to improve London's environment;
- 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;
- increase the capacity in Underground and rail services, introducing the new Crossrail line and expanding the Overground, Docklands Light Railway and tram networks; and
- commitments to speed up the delivery of housing on the Queen Elizabeth Olympic Park.

**Final Draft capital spending plan**

9.3 Set out below is a summary of the Mayor's Final Draft Capital Spending Plan for 2017-18 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.

## Final Draft GLA Group statutory capital spending plan 2017-18 under Section 122 of the GLA Act

| Section | | GLA £m | MOPAC £m | LFEPA £m | TfL £m | LLDC £m | OPDC £m |
|---|---|---|---|---|---|---|---|
| | Total external capital grants | 343.7 | 92.3 | 0.0 | 2,362.8 | 9.9 | 0.0 |
| | Opening balance of capital receipts | 3.6 | 365.8 | 20.6 | 0.0 | 0.0 | 0.0 |
| | Total capital receipts during the year | 13.2 | 71.0 | 26.7 | 77.4 | 47.4 | 0.0 |
| **A** | **Total capital grants/ receipts** | **360.5** | **529.1** | **47.3** | **2,440.3** | **57.3** | **0.0** |
| | Minimum s.120(1) grant | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Total borrowings during the year | 277.8 | 0.0 | 6.5 | 601.0 | 46.7 | 0.0 |
| | Total borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **B** | **Total borrowings and credit arrangements** | **277.8** | **0.0** | **6.5** | **601.0** | **46.7** | **0.0** |
| | Total capital expenditure anticipated during the year | 634.7 | 366.3 | 53.8 | 2,969.4 | 104.0 | 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 |
| **C** | **Total capital spending for the year** | **634.7** | **366.3** | **53.8** | **2,969.4** | **104.0** | **0.0** |
| | Funding: capital grants | 343.7 | 92.3 | 0.0 | 2,413.1 | 9.9 | 0.0 |
| | Funding: capital receipts/reserves | 13.2 | 274.0 | 47.3 | 77.4 | 47.4 | 0.0 |
| | Funding: borrowings and credit arrangements | 277.8.0 | 0.0 | 6.5 | 601.0 | 46.7 | 0.0 |
| | Funding: revenue contributions | 0.0 | 0.0 | 0.0 | -122.2 | 0.0 | 0.0 |
| **D** | **Total funding** | **634.7** | **366.3** | **53.8** | **2,969.4** | **104.0** | **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 final draft capital plan to 2020-21 and how this is financed. Overall the GLA Group will be investing around £394.3 million less in 2017-18 than in 2016-17. The majority of this change reflects the tailing off of Crossrail construction costs offset by further investment in the Met's transformation programme.

| **Summary of the capital plan 2016-17 to 2020-21** | **2016-17 Forecast £m** | **2017-18 Plan £m** | **2018-19 Plan £m** | **2019-20 Plan £m** | **2020-21 Plan £m** | **5 year total £m** |
|---|---|---|---|---|---|---|
| GLA | 630.0 | 634.7 | 691.0 | 1,006.7 | 2,835.8 | 5,798.2 |
| MOPAC | 194.7 | 366.3 | 370.9 | 297.4 | 186.3 | 1,415.6 |
| LFEPA | 34.8 | 53.8 | 44.4 | 28.1 | 25.3 | 186.4 |
| TfL | 3,553.9 | 2,969.4 | 2,441.6 | 2,113.5 | 2,368.6 | 13,447.0 |
| LLDC | 109.1 | 104.0 | 134.6 | 276.4 | 207.4 | 831.6 |
| OPDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total capital expenditure** | **4,522.5** | **4,128.2** | **3,682.5** | **3,722.1** | **5,623.4** | **21,678.8** |

### Greater London Authority

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

- a Housing programme of £278.6 million in 2017-18 predominantly relating to a proportion of the recently announced £3.15 billion, for 90,000 affordable housing starts through to 2021;
- the total of the additional £2.08 billion (£3.15 billion in addition to the £1.07 billion for the 2015-18 period) funding for affordable housing secured in Autumn Statement 2016 is shown in financial year 2020-21, along with other spend already expected in that year. In reality this spend will be profiled over a longer period of time, subject to the payment profile from Government and the dates of expected starts and completions by partners;
- a regeneration programme estimated at £100.2 million in 2017-18 including £39.9 million investment in Further Education; £36.0 million on Growing Places Fund projects to create jobs and skills in emerging sectors; £15.4 million on London Regeneration Fund projects investing in high streets; and £5.0 million to begin new programmes on Supporting Local Economies, Unlocking Small Sites and Air Quality funded from the £141.2 million additional Growth Deal grant funding for 2017-18 to 2020-21;
- funding of £189.0 million in 2017-18 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 element of the GLA's capital programme in 2017-18 is contribution to the LLDC of £47 million.

9.6 Details of the GLA's Capital Plan to 2017-18, 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 £366.3 million in 2017-18 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 maintenance and refurbishment of key buildings, delivery of the custody centre programme, 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 2020-21, 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 £19.0 million from the current spend forecast of £34.8 million in 2016-17 to £53.8 million in 2017-18. The Capital Plan for 2018-19 is £44.4 million. Accordingly, LFEPA's Capital Plan for the next two years of £98.2 million includes the following:

- programmed replacement of the brigade's fleet of £40.9 million;
- investment into LFEPA's estate, including energy efficiency works, of £26.6 million;
- a new training centre for the delivery of high rise training £10.6 million;
- a new distribution centre and protected equipment facility £7.5 million; and
- other investment of £12.6 million in a range of operational improvements, including security and Information and Communications Technology projects.

**Transport for London**

9.10 The Mayor proposes that TfL's total capital spend for 2017-18 will be £2,969.4 million, including £987.3 million on delivering Crossrail construction. Other key investment programmes in 2017-18 include:

- the modernisation of the Circle, District, Hammersmith and City and Metropolitan lines;
- Crossrail (trains and enabling works);
- major station upgrades including Victoria, Tottenham Court Road, Bond Street and Bank;
- the Northern Line Extension;
- walking and cycling; and
- the deep tube upgrade programme (the Piccadilly Line).

9.11 To provide additional capacity and contribute towards the Mayor's commitment to tackling poor air quality in London, the electrification of the Gospel Oak to Barking line will allow four-car electric trains to run from 2017, replacing the existing two-car diesel trains.

9.12 As well as investment in new signalling and trains to enhance capacity, customers will benefit from improvements that are being carried out as part of station upgrades. In 2017, TL will introduce 36 trains an hour in the peak on the Victoria line and will build a step-free entrance to the Waterloo & City line on Cannon Street.

9.13 The Bond Street Station upgrade will be completed in 2017 and will provide more capacity and step-free access and will make it easier to change between services, including the Crossrail.

9.14 TfL understands the value of increasing walking, cycling and the use of public transport in London and to support growth and improvements in London public spaces, so they will continue to create more great places in inner and outer London, including new Quietways, more Cycle Superhighways and further development of the Mini-Hollands scheme.

9.15 TfL are expecting a year-on-year increase in cycle hire use as a result of population growth and their continued investment cycling. TfL will take a new approach to operating the cycle hire scheme in 2017 and will begin replacing all cycle hire bikes with upgraded models.

9.16 Crossrail is now 80 per cent complete, on schedule and within the funding envelope. It will add 10 per cent to London's rail capacity when it is fully open in 2019. 2017-18 will see the introduction of the new trains between Liverpool Street and Shenfield and continuing work to fit out the new stations and tunnels.

9.17 Details of TfL's Capital Plan to 2020-21, 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.

9.18 TfL's capital spending is financed from six main sources:

- fares and ticket income;
- charges under the Congestion Charging Scheme;
- secondary revenue (such as advertising and property rentals);
- third party funding for specific projects, such as the GLA's contributions (financed by a business rate supplement) for Crossrail;
- retained business rates; and
- prudential borrowing and related financing (including bond issuances)

**London Legacy Development Corporation**

9.19 The priorities of the LLDC's capital plan are:

- the Cultural and Education District (CED) to further the Mayor's culture agenda and the regeneration of Queen Elizabeth Olympic Park (QEOP) and the surrounding areas;
- infrastructure costs to assist in the development of the area and delivery of development receipts in order to repay borrowings; and

- other projects, such as Hackney Wick station improvements which support the regeneration of the area as well as delivery of receipts.

9.20 The Mayor's proposed capital spending plan for the LLDC is £104.0 million in 2017-18. This represents a reduction of £5.1 million compared to the 2016-17 forecast. The main elements are:

- infrastructure costs for the East Wick and Sweetwater development;
- infrastructure costs for Pudding Mill Lane and Rick Roberts Way developments in anticipation of accelerated delivery to deliver against the Mayors housing strategy;
- Hackney Wick Station improvements;
- further development of the Cultural and Education District programme;
- 3 Mills river wall works; and
- working capital for E20 Stadium LLP.

9.21 Details of LLDC's Capital Plan to 2020-21, 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 the QEOP and the future receipts from land sales, contributions from a variety of sources to fund the CED (including contributions from partners and philanthropic funding), which will enable the LLDC to repay its borrowings. In 2017-18 this is estimated to be £46.7 million, but in 2018-19 LLDC is projected to have a capital surplus of £84.6 million. Further support of £165.3 million is estimated in 2019-20 and £87.6 million for 2020-21.

### Table 1: GLA: Mayor - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Staff costs | 43.7 | 45.0 | 42.4 | 42.8 | 43.3 | 43.8 |
| Premises costs | 15.9 | 15.9 | 17.1 | 17.3 | 17.6 | 17.9 |
| Supplies and services | 65.8 | 62.7 | 52.3 | 44.4 | 51.4 | 60.8 |
| *Transfer payments to third parties:* | | | | | | |
| Olympic funding agreement | 28.3 | 28.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Museum of London | 8.0 | 8.0 | 11.6 | 11.6 | 11.6 | 11.6 |
| London and Partners | 11.4 | 11.4 | 11.9 | 11.9 | 11.9 | 11.9 |
| *Capital financing costs:* | | | | | | |
| Financing costs – Crossrail | 116.4 | 116.4 | 115.0 | 117.3 | 112.9 | 109.0 |
| Financing costs – Northern Line Extension | 5.4 | 5.4 | 5.4 | 10.0 | 14.0 | 23.6 |
| Financing costs – other | 7.0 | 7.0 | 7.0 | 6.5 | 6.1 | 6.1 |
| Provision for repayment of debt | 10.5 | 10.5 | 10.8 | 8.9 | 7.9 | 7.1 |
| **Total revenue expenditure** | **312.4** | **310.6** | **273.5** | **270.7** | **276.7** | **291.8** |
| Sales fees and charges | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 |
| Rental income | -1.3 | -1.3 | -0.8 | -0.8 | -0.8 | -0.8 |
| Interest receipts | -10.9 | -11.4 | -10.9 | -8.0 | -8.0 | -8.0 |
| Crossrail Business Rate Supplement | -116.4 | -116.4 | -115.0 | -117.3 | -112.9 | -109.0 |
| Northern Line Extension Contributions | -5.4 | -5.4 | -5.4 | -10.0 | -14.0 | -23.6 |
| GLAP recharge | 0.0 | 0.0 | -6.5 | -6.5 | -6.5 | -6.5 |
| **Total Income** | **-135.1** | **-135.6** | **-139.7** | **-143.7** | **-143.3** | **-149.0** |
| **Net cost of services** | **177.3** | **175.0** | **133.8** | **127.0** | **133.4** | **142.8** |
| Transfer of resource to Mayoral Development Corporation Reserve held in GLA Group item budget | 0.0 | 0.0 | 0.0 | 5.6 | 8.7 | 10.4 |
| Transfer to/from reserves held for GLA services | -35.9 | -30.8 | 18.0 | 6.1 | -3.2 | -13.5 |
| **Financing requirement** | **141.4** | **144.2** | **151.8** | **138.7** | **138.9** | **139.7** |
| Revenue Support Grant | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained business rates | 48.3 | 51.1 | 85.9 | 68.6 | 64.4 | 60.8 |
| Funding for services from Business Rates Reserve | 22.3 | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Council tax requirement** | **60.8** | **60.8** | **65.9** | **70.1** | **74.5** | **78.9** |

## GLA Group items

The table below sets out the budget for GLA group related items. The budget for these items is controlled by the Mayor. These GLA Group items are managed through resources that are held within the GLA: Mayor but are distinct from the service related items that are set out in the objective and subjective tables. Notes to the table are set out overleaf.

### Table 2: GLA: Mayor – GLA Group items

| GLA Group Items[1] | Revised Budget 2016-17 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| *Expenditure* | | | | | | |
| Business rates tariff payment to CLG | 358.6 | 358.6 | 720.2 | 749.1 | 770.4 | 784.0 |
| Business rates levy payment to CLG[2] | 5.9 | 5.9 | 33.5 | 0.0 | 0.0 | - |
| **Total business rates tariff and levy payments** | **364.5** | **364.5** | **753.7** | **749.1** | **770.4** | **784.0** |
| LLDC Expenditure funded from GLA resources | 17.2 | 17.2 | 16.8 | 16.8 | 16.8 | 16.0 |
| LLDC soft loan interest cost | 10.9 | 10.5 | 12.2 | 10.9 | 14.2 | 19.3 |
| OPDC Expenditure funded from GLA resources | 11.4 | 8.6 | 6.9 | 6.8 | 6.7 | 6.6 |
| **Total development corporation expenditure[3]** | **39.5** | **36.3** | **35.9** | **34.5** | **37.7** | **41.9** |
| Funding for GLA services financed from BRR | 22.3 | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total GLA Group item expenditure** | **426.3** | **423.1** | **789.6** | **783.6** | **808.1** | **825.9** |
| *Income* | | | | | | |
| Business rates funding tariff payment to CLG | -358.6 | -358.6 | -720.2 | -749.1 | -770.4 | -784.0 |
| **Total business rates funding tariff payment** | **-358.6** | **-358.6** | **-720.2** | **-749.1** | **-770.4** | **-784.0** |
| LLDC soft loan interest receipts | -10.9 | -10.5 | -12.2 | -10.9 | -14.2 | -19.3 |
| GLA resource funding LLDC | -11.2 | -11.2 | -16.8 | -10.8 | -10.8 | -10.0 |
| GLA resource funding OPDC | -6.0 | -3.2 | -2.5 | -1.4 | -1.3 | -1.2 |
| **Total income funding development corporations** | **-28.1** | **-24.9** | **-31.5** | **-23.1** | **-26.3** | **-30.5** |
| Business rates transferred to BRR | 0.0 | 0.0 | -102.5 | 0.0 | 0.0 | 0.0 |
| GLA resource transferred to MDC | 0.0 | 0.0 | 0.0 | -5.6 | -8.7 | -10.4 |
| **Total income transferred to BRR and MDC** | **0.0** | **0.0** | **-102.5** | **-5.6** | **-8.7** | **-10.4** |
| **Total GLA Group item income** | **-386.7** | **-383.5** | **-854.2** | **-777.8** | **-805.4** | **-824.9** |
| Council tax collection fund (surplus) | -32.4 | -32.4 | -24.8 | 0.0 | 0.0 | 0.0 |
| Business rates collection fund deficit | 78.7 | 78.7 | 27.5 | 0.0 | 0.0 | 0.0 |
| **Net collection fund (surplus) / deficit** | **46.3** | **46.3** | **2.7** | **0.0** | **0.0** | **0.0** |
| Net transfer to/(from) BRR | -74.5 | -74.5 | 66.3 | 0.0 | 0.0 | 0.0 |
| Net transfer to/(from) MDC | -11.4 | -11.4 | -4.4 | -5.8 | -2.7 | -1.0 |
| **Net GLA Group items** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

**Notes to Table 2: GLA Group items**

1. 'BRR' is the Business Rates Reserve. 'MDC' is the Mayoral Development Corporation Reserve. 'CLG' is the Department for Communities and Local Government.
2. The levy payment is assumed to be abolished from 2020-21 but this is subject to confirmation by the Government.
3. LLDC and OPDC expenditure is funded from a combination of GLA: Mayor business rates resource and use of balances on the Mayoral Development Corporation Reserve. Both resources are held within the GLA: Mayor.

**Table 3: GLA: Assembly - Subjective analysis**

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Staff costs | 5.8 | 5.8 | 6.0 | 6.0 | 6.0 | 6.0 |
| Supplies and services | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| **Financing requirement** | **7.2** | **7.2** | **7.4** | **7.4** | **7.4** | **7.4** |
| *Financed by* | | | | | | |
| Revenue Support Grant | 2.1 | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained business rates | 2.5 | 2.5 | 4.8 | 4.8 | 4.8 | 4.8 |
| **Council tax requirement** | **2.6** | **2.6** | **2.6** | **2.6** | **2.6** | **2.6** |

## Table 4: GLA: Mayor – Final draft capital spending plan

| Final draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| *Expenditure* | | | | | |
| Regeneration (Crystal Palace) | 0.5 | 1.4 | 0.0 | 0.0 | 0.0 |
| Growing Places Fund | 35.4 | 36.0 | 8.4 | 3.2 | 0.2 |
| London Regeneration Fund | 4.6 | 15.4 | 0.0 | 0.0 | 0.0 |
| Mayor's Regeneration Fund | 11.7 | 3.0 | 4.4 | 1.5 | 0.0 |
| London Enterprise Fund | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Further Education Capital | 12.3 | 39.9 | 55.3 | 37.7 | 37.2 |
| Supporting Local Economies | 0.0 | 1.0 | 12.0 | 15.0 | 20.0 |
| Unlocking Small Sites | 0.0 | 0.5 | 2.9 | 4.5 | 5.6 |
| Digital Talent | 0.0 | 2.0 | 0.0 | 0.0 | 0.0 |
| Woolwich | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| High Streets | 3.9 | 1.0 | 0.0 | 0.0 | 0.0 |
| London and Partners | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| London Great Outdoors: Parks and Street Trees | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Air Quality GD3 | 0.0 | 3.5 | 4.0 | 3.5 | 0.0 |
| Mayor's Housing Covenant (Affordable Housing) | 106.9 | 85.0 | 168.4 | 372.0 | 2,526.3 |
| Care & Support Programme - Phase 1 and 2 | 8.7 | 18.9 | 16.1 | 11.6 | 6.1 |
| Custom Build | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Community Led Housing | 0.0 | 1.0 | 1.0 | 1.1 | 0.0 |
| RE: New PRS & Re: Fit for Schools | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| London Boiler Cashback Scheme | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Homelessness Change and Platform for Life | 12.3 | 5.7 | 7.5 | 4.5 | 0.0 |
| London Housing Bank | 21.0 | 40.8 | 25.0 | 37.8 | 75.5 |
| Housing Zones (Loans) | 30.0 | 48.0 | 77.0 | 45.0 | 0.0 |
| Housing Zones (Affordable Housing) | 64.2 | 79.1 | 158.3 | 98.5 | 0.0 |
| Land and Property | 29.0 | 13.2 | 31.6 | 6.5 | 2.0 |
| CPOs | 14.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Millennium Mills | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| A Sporting Future for London | 0.7 | 1.5 | 0.0 | 0.0 | 0.0 |
| Museum of London | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Education Fund Agency | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Northern Line Extension | 165.0 | 189.0 | 202.0 | 198.0 | 75.0 |
| London Legacy Development Corporation | 88.0 | 46.7 | -84.6 | 165.3 | 87.6 |
| City Hall | 1.1 | 1.2 | 1.3 | 0.5 | 0.1 |
| Technology Group | 0.3 | 0.9 | 0.5 | 0.6 | 0.2 |
| **Total expenditure** | **630.0** | **634.7** | **691.0** | **1,006.7** | **2,835.8** |

| **Final draft capital plan** | **Forecast Outturn 2016-17 £m** | **Budget 2017-18 £m** | **Plan 2018-19 £m** | **Plan 2019-20 £m** | **Plan 2020-21 £m** |
|---|---|---|---|---|---|
| *Funded by:* | | | | | |
| CPO provision | 14.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Northern Line Extension – borrowing and developer contributions | 165.0 | 189.0 | 202.0 | 198.0 | 75.0 |
| Capital receipts and other sales income | 29.0 | 13.2 | 31.6 | 6.5 | 2.0 |
| Other grants and contributions | 21.0 | 24.6 | 23.6 | 16.1 | 6.1 |
| Recycled capital grant funding | 0.0 | 10.0 | 34.4 | 50.0 | 55.6 |
| Right to buy | 0.0 | 5.0 | 14.0 | 22.0 | 24.4 |
| DCLG loans | 51.0 | 88.8 | 102.0 | 82.8 | 75.5 |
| DCLG capital grant (Growing Places Fund) | 35.4 | 36.0 | 8.4 | 3.2 | 0.2 |
| DCLG capital grant (other) | 314.5 | 268.1 | 275.0 | 628.1 | 2,597.0 |
| **Total funding** | **630.0** | **634.7** | **691.0** | **1,006.7** | **2,835.8** |

## Table 5: GLA: Mayor - Capital financing costs

| **Capital financing costs** | **2017-18 £m** | **2018-19 £m** | **2019-20 £m** | **2020-21 £m** |
|---|---|---|---|---|
| Provision for repayment of debt | 10.8 | 8.9 | 7.9 | 7.1 |
| External interest | 7.0 | 6.5 | 6.1 | 6.1 |
| **Total** | **17.8** | **15.4** | **14.0** | **13.2** |

## Table 6: GLA: Mayor - Authorised limit for external debt

| **Authorised limit for external debt** | **Current Approval 2016-17 £m** | **Revised Approval 2016-17 £m** | **Proposed 2017-18 £m** | **Proposed 2018-19 £m** | **Proposed 2019-20 £m** | **Proposed 2020-21 £m** |
|---|---|---|---|---|---|---|
| Borrowing | 4,800.0 | 4,800.0 | 4,800.0 | 4,800.0 | 4,800.0 | 4,800.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **4,800.0** | **4,800.0** | **4,800.0** | **4,800.0** | **4,800.0** | **4,800.0** |

**Table 7: GLA: Mayor - Operational limit for external debt**

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 4,300.0 | 4,300.0 | 4,300.0 | 4,300.0 | 4,300.0 | 4,300.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **4,300.0** | **4,300.0** | **4,300.0** | **4,300.0** | **4,300.0** | **4,300.0** |

## Table 1: MOPAC - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Total pay and overtime | 2,473.3 | 2,430.1 | 2,417.3 | 2,481.3 | 2,498.2 | 2,495.8 |
| Total running expenses | 757.8 | 797.5 | 772.9 | 727.6 | 774.8 | 735.1 |
| Capital Financing costs | 43.0 | 42.9 | 42.9 | 42.9 | 48.8 | 56.5 |
| **Total expenditure** | **3,274.0** | **3,270.6** | **3,233.2** | **3,251.8** | **3,321.8** | **3,287.4** |
| Interest receipts | -1.3 | -2.3 | -1.3 | -1.3 | -1.3 | -1.3 |
| Other income | -272.0 | -274.9 | -262.3 | -259.5 | -261.7 | -264.4 |
| **Total income** | **-273.3** | **-277.2** | **-263.6** | **-260.8** | **-263.0** | **-265.7** |
| Discretionary pension costs | 35.9 | 33.5 | 35.9 | 35.9 | 35.9 | 35.9 |
| Savings to be identified | 0.0 | 0.0 | 0.0 | -93.7 | -169.8 | -184.7 |
| **Net expenditure** | **3,036.6** | **3,026.9** | **3,005.5** | **2,933.2** | **2,924.9** | **2,872.9** |
| Transfer to/(from) reserves | -104.2 | -88.9 | -81.8 | -21.7 | -25.3 | 14.4 |
| **Net financing requirement** | **2,932.4** | **2,938.0** | **2,923.7** | **2,911.5** | **2,899.6** | **2,887.3** |
| Home Office Specific grants | 434.0 | 439.6 | 420.1 | 420.1 | 420.1 | 420.1 |
| GLA Council tax freeze grant funding | 27.1 | 27.1 | 29.6 | 29.1 | 29.1 | 29.1 |
| Home Office General police grant | 1,904.6 | 1,904.6 | 1,882.0 | 1,858.4 | 1,834.4 | 1,809.8 |
| **Council tax requirement** | **566.7** | **566.7** | **592.0** | **603.9** | **616.0** | **628.3** |

### Table 2: MOPAC – Final draft capital plan

| Final draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| Strengthening Local Policing | 0.0 | 2.0 | 2.0 | 1.0 | 0.3 |
| Business Support function of the Future | 0.2 | 0.5 | 2.0 | 0.0 | 0.0 |
| CT Policing Change Portfolio | 2.1 | 1.5 | 1.1 | 0.5 | 0.0 |
| Enhance Digital Policing for 2020 | 27.2 | 20.3 | 17.5 | 10.0 | 10.0 |
| Improving Public Access and first contact | 4.6 | 4.3 | 7.0 | 7.0 | 0.0 |
| Optimising Response | 10.0 | 22.6 | 43.3 | 62.2 | 28.0 |
| Reinforcing HQ, Improving Information Management | 1.2 | 4.6 | 32.0 | 25.0 | 15.0 |
| Smarter Working | 19.8 | 58.9 | 0.6 | 2.0 | 1.2 |
| Transforming Investigation and Prosecution | 24.4 | 36.8 | 57.1 | 27.4 | 6.8 |
| Delivering Maximum Commercial Efficiency - Fleet | 21.5 | 33.5 | 32.8 | 22.1 | 21.2 |
| Transforming the MPS Estate | 77.5 | 159.4 | 237.1 | 157.7 | 105.5 |
| NCTPHQ | 12.7 | 62.0 | 39.7 | 13.1 | 26.3 |
| **Subtotal** | **201.1** | **406.3** | **472.1** | **328.0** | **214.2** |
| Over-programming/headroom | -6.4 | -40.0 | -101.2 | -30.6 | -27.9 |
| **Total Programme Cost** | **194.7** | **366.3** | **370.9** | **297.4** | **186.3** |
| *Funding* | | | | | |
| Capital Receipts | 149.5 | 274.0 | 196.5 | 145.8 | 64.1 |
| Capital grants & other contributions | 40.1 | 92.3 | 80.4 | 32.7 | 44.8 |
| Borrowing | 0.0 | 0.0 | 94.0 | 118.9 | 77.4 |
| Revenue Contributions | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total funding gross of over-programming** | **194.7** | **366.3** | **370.9** | **297.4** | **186.3** |

### Table 3: MOPAC - Capital financing costs

| Capital financing costs | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
|---|---|---|---|---|
| Minimum revenue provision for debt repayment | 22.8 | 22.8 | 27.0 | 32.3 |
| External interest | 20.1 | 20.1 | 21.8 | 24.2 |
| **Total** | **42.9** | **42.9** | **48.8** | **56.5** |

### Table 4: MOPAC - Authorised limit for external debt

| Authorised limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 501.1 | 501.1 | 484.6 | 552.1 | 644.5 | 695.5 |
| Long term liabilities | 83.3 | 83.3 | 79.3 | 76.2 | 71.0 | 64.9 |
| **Total** | **584.4** | **584.4** | **563.9** | **628.3** | **715.5** | **760.4** |

### Table 5: MOPAC - Operational limit for external debt

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 376.1 | 376.1 | 359.6 | 427.1 | 519.5 | 570.5 |
| Long term liabilities | 83.3 | 83.3 | 79.3 | 76.2 | 71.0 | 64.9 |
| **Total** | **459.4** | **459.4** | **438.9** | **503.3** | **590.5** | **635.4** |

## Table 1: LFEPA - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Operational staff | 236.6 | 234.3 | 235.9 | 235.8 | 238.4 | 238.2 |
| Other staff | 55.8 | 55.4 | 50.8 | 50.0 | 54.1 | 52.4 |
| Employee related | 23.9 | 23.9 | 25.0 | 22.2 | 21.4 | 21.6 |
| Pensions | 21.6 | 20.3 | 20.5 | 20.9 | 21.3 | 21.7 |
| Premises | 36.7 | 36.1 | 36.9 | 37.9 | 39.1 | 39.8 |
| Transport | 19.5 | 19.3 | 16.8 | 15.8 | 15.9 | 16.2 |
| Supplies and services | 27.2 | 26.8 | 27.1 | 26.1 | 26.7 | 27.3 |
| Third party payments | 2.9 | 2.9 | 1.7 | 1.6 | 1.6 | 1.6 |
| Capital financing costs | 9.8 | 9.8 | 9.5 | 10.8 | 11.0 | 12.0 |
| Business Continuity | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Central contingency against inflation | 0.4 | 0.4 | 2.6 | 5.8 | 9.1 | 11.8 |
| Savings to be required | 0.0 | 0.0 | 0.0 | 0.0 | -0.0 | -9.1 |
| **Total expenditure** | **434.2** | **429.1** | **426.8** | **426.9** | **438.6** | **433.5** |
| Total income | -31.9 | -33.6 | -34.9 | -35.7 | -36.4 | -37.3 |
| **Net expenditure** | **402.2** | **395.6** | **391.8** | **391.2** | **402.2** | **396.2** |
| Transfer to/(from) reserves | -7.2 | -0.6 | 2.8 | 3.4 | -7.6 | -1.6 |
| **Financing requirement** | **395.0** | **395.0** | **394.6** | **394.6** | **394.6** | **394.6** |
| Specific grants | 12.5 | 12.6 | 12.2 | 12.2 | 12.2 | 12.2 |
| Revenue support grant | 128.5 | 128.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained Business Rates | 115.7 | 115.7 | 244.2 | 244.2 | 244.2 | 244.2 |
| **Council tax requirement** | **138.2** | **138.2** | **138.2** | **138.2** | **138.2** | **138.2** |

## Table 2: LFEPA – Final draft capital plan

| Final draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| *Expenditure* | | | | | |
| IT projects | 3.6 | 1.1 | 1.3 | 0.0 | 2.0 |
| Resilience projects | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Refurbishment of fire stations | 1.9 | 2.4 | 1.4 | 0.6 | 2.2 |
| New/Replacement fire stations | 5.7 | 13.3 | 10.1 | 10.0 | 10.0 |
| Other property projects | 2.8 | 11.8 | 14.0 | 0.5 | 0.6 |
| Sustainability projects | 2.7 | 1.8 | 1.2 | 1.2 | 1.2 |
| Minor improvements programme | 2.9 | 1.0 | 0.7 | 0.7 | 0.7 |
| Contingency programme | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Service concessions (PFI stations and Finance leases) | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fire Brigade fleet re-procurement | 13.6 | 25.2 | 15.7 | 15.1 | 8.6 |
| Other projects | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Over programming | -3.9 | -2.8 | 0.0 | 0.0 | 0.0 |
| **Total expenditure** | **34.8** | **53.8** | **44.4** | **28.1** | **25.3** |
| *Funding* | | | | | |
| Capital receipts | 25.7 | 47.3 | 26.7 | 0.0 | 0.0 |
| Borrowing and PFI leases | 5.5 | 6.5 | 17.7 | 28.1 | 25.3 |
| Capital grants | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue contributions | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total funding** | **34.8** | **53.8** | **44.4** | **28.1** | **25.3** |

## Table 3: LFEPA - Capital financing costs

| Capital financing costs | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
|---|---|---|---|---|
| MRP and external interest | 9.5 | 10.8 | 11.0 | 12.0 |
| **Total** | **9.5** | **10.8** | **11.0** | **12.0** |

### Table 4: LFEPA - Authorised limit for external debt

| Authorised limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| Long term liabilities | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| **Total** | **225.0** | **225.0** | **225.0** | **225.0** | **225.0** | **225.0** |

### Table 5: LFEPA - Operational limit for external debt

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 145.0 | 145.0 | 145.0 | 145.0 | 145.0 | 145.0 |
| Long term liabilities | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| **Total** | **220.0** | **220.0** | **220.0** | **220.0** | **220.0** | **220.0** |

## Table 1: TfL - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| *Income* | | | | | | |
| Fares Revenue | -4,860.9 | -4,722.8 | -4,877.4 | -5,119.8 | -5,562.8 | -6,030.1 |
| Congestion Charging | -172.3 | -161.1 | -183.9 | -192.3 | -183.4 | -175.2 |
| Enforcement Income | -127.2 | -127.2 | -171.2 | -179.0 | -176.8 | -173.0 |
| Taxi & Private Hire and VCS fees | -35.9 | -35.7 | -42.7 | -54.3 | -58.8 | -63.2 |
| Advertising Income | -143.9 | -142.2 | -159.4 | -172.2 | -188.5 | -195.3 |
| Rental Income | -69.4 | -68.7 | -69.7 | -71.9 | -75.6 | -80.4 |
| Other Income | -155.3 | -167.2 | -194.1 | -215.2 | -235.2 | -372.1 |
| **Total Income** | **-5,564.8** | **-5,424.9** | **-5,698.3** | **-6,004.6** | **-6,481.1** | **-7,089.2** |
| *Operating Expenditure* | | | | | | |
| Employee Expenses | 2,152.9 | 2,137.7 | 2,181.8 | 2,009.5 | 1,933.3 | 1,949.3 |
| Premises | 297.2 | 293.3 | 302.4 | 341.2 | 347.8 | 343.7 |
| PFI Payments | 229.4 | 228.9 | 230.1 | 230.0 | 233.0 | 230.2 |
| Bus Contract Payments (incl. BSOG) | 1,985.3 | 1,971.5 | 2,016.1 | 2,081.3 | 2,136.3 | 2,271.6 |
| CCS & Other Road Contracted Services | 353.9 | 340.4 | 355.7 | 358.7 | 394.4 | 445.2 |
| Asset Maintenance & Local Authority Payments | 575.1 | 508.9 | 528.4 | 509.9 | 510.4 | 521.1 |
| Professional and Consultancy fees | 75.0 | 85.5 | 73.3 | 65.4 | 52.1 | 54.5 |
| Management Consultancy/Development fees | 160.9 | 132.2 | 207.9 | 224.8 | 205.1 | 160.1 |
| Ticket Commissions | 62.8 | 55.9 | 58.8 | 64.8 | 72.7 | 79.3 |
| Customer Information | 38.4 | 33.4 | 25.1 | 26.4 | 27.4 | 25.6 |
| National Rail Payments | 7.9 | 7.9 | 7.9 | 32.6 | 82.1 | 84.7 |
| Franchise Payments | 406.1 | 398.2 | 420.1 | 496.1 | 542.9 | 577.0 |
| Information and Communication Technology | 192.5 | 202.2 | 186.9 | 177.4 | 184.1 | 186.5 |
| Insurance | 26.0 | 26.0 | 24.4 | 29.2 | 43.9 | 46.6 |
| Traction Current | 106.7 | 106.7 | 106.0 | 106.0 | 106.0 | 106.0 |
| Other Operating Expenses | 3.6 | 70.3 | 9.5 | -131.1 | -72.8 | -114.8 |
| Capital Resources and Other Recharges | -283.8 | -293.1 | -233.1 | -185.1 | -191.2 | -166.6 |
| Bad Debt Provision | 49.1 | 49.7 | 61.9 | 64.2 | 64.0 | 63.1 |
| **Total Operating Expenditure** | **6,438.9** | **6,355.6** | **6,563.1** | **6,501.5** | **6,671.5** | **6,863.0** |
| **Net Operating Expenditure** | **874.1** | **930.7** | **864.8** | **496.9** | **190.4** | **-226.3** |
| Group Items & Third Party Contributions | 379.3 | 363.0 | 412.8 | 452.9 | 482.9 | 517.4 |
| Revenue surplus for capital use | 91.2 | 64.5 | -122.2 | -40.4 | 218.0 | 569.2 |
| **Total Net revenue expenditure** | **1,344.7** | **1,358.2** | **1,155.5** | **909.3** | **891.3** | **860.3** |

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Transfer to/(from) reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Financing requirement** | **1,344.7** | **1,358.2** | **1,155.5** | **909.3** | **891.3** | **860.3** |
| GLA Transport Grant (general grant) | 447.3 | 447.3 | 228.0 | 0.0 | 0.0 | 0.0 |
| Other specific grants | 37.1 | 50.6 | 67.2 | 49.0 | 31.0 | 0.0 |
| Retained Business Rates | 854.3 | 854.3 | 854.3 | 854.3 | 854.3 | 854.3 |
| **Council tax requirement** | **6.0** | **6.0** | **6.0** | **6.0** | **6.0** | **6.0** |

Note: VCS is Victoria Coach Station. CCS is Congestion Charging Scheme.

## Table 2: TfL – Final draft capital plan

| Final draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| London Underground | 1,278.9 | 1,406.5 | 1,414.3 | 1,112.4 | 1,358.2 |
| Surface Transport | 380.7 | 311.1 | 356.4 | 521.7 | 574.7 |
| Rail | 137.3 | 82.0 | 99.2 | 126.1 | 107.0 |
| Corporate | 160.1 | 182.5 | 211.3 | 252.7 | 311.4 |
| Crossrail | 1,597.0 | 987.3 | 360.4 | 100.5 | 17.2 |
| **Total expenditure** | **3,553.9** | **2,969.4** | **2,441.6** | **2,113.5** | **2,368.6** |
| Capital receipts/property sales | 24.8 | 77.4 | 100.3 | 79.6 | 179.7 |
| Retained business rates (former DfT investment grant) | 0.0 | 960.0 | 976.0 | 993.0 | 1,010.0 |
| Grants to support capital expenditure | 1,085.1 | 214.5 | 198.9 | 109.5 | 81.9 |
| Borrowing | 701.2 | 601.0 | 600.4 | 700.5 | 600.7 |
| Crossrail funding sources | 138.0 | 300.3 | 166.2 | 45.9 | 155.6 |
| Revenue contributions | 64.5 | -122.2 | -40.4 | 218.0 | 569.2 |
| Working capital and reserves movements | 1,540.3 | 938.3 | 440.2 | -33.0 | -228.5 |
| **Total funding** | **3,553.9** | **2,969.4** | **2,441.6** | **2,113.5** | **2,368.6** |

Note: This table reflects the impact of the proposal that from 2017-18 TfL's capital investment grant will be rolled into the business rates retention scheme. TfL's draft business plan combines the retained rates and grants line in one single number.

## Table 3: TfL – London Underground draft capital plan

| Draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| Stations Upgrade | 210.5 | 187.2 | 139.6 | 138.2 | 184.6 |
| Legacy Train Systems | 27.5 | 80.2 | 95.2 | 69.8 | 58.5 |
| Four Lines Modernisation | 321.0 | 300.6 | 258.6 | 143.9 | 203.2 |
| Infrastructure Renewals | 279.4 | 146.0 | 105.8 | 240.3 | 214.4 |
| New Tube For London | 25.8 | 88.2 | 108.0 | 150.9 | 367.5 |
| World Class Capacity | 82.6 | 143.1 | 177.7 | 158.7 | 196.2 |
| Northern Line Extension | 155.9 | 207.5 | 187.9 | 102.5 | 63.9 |
| Central Re-phasing provision | -46.4 | -157.4 | -72.5 | -38.8 | -51.7 |
| Reliability & Customer Facing Programmes | 81.6 | 63.3 | 64.1 | 32.6 | 52.6 |
| Crossrail (depots and rolling stock) | 138.1 | 347.9 | 349.9 | 114.3 | 69.1 |
| Other | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total expenditure** | **1,278.9** | **1,406.5** | **1,414.3** | **1,112.4** | **1,358.2** |

## Table 4: TfL – Rail draft capital plan

| Draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| Docklands Light Railway | 31.1 | 29.6 | 48.4 | 91.2 | 76.8 |
| London Overground | 92.2 | 37.1 | 42.1 | 27.3 | 22.8 |
| Trams | 13.6 | 15.0 | 8.4 | 7.4 | 6.0 |
| Emirates Air Line | 0.4 | 0.3 | 0.3 | 0.3 | 1.4 |
| **Total expenditure** | **137.3** | **82.0** | **99.2** | **126.1** | **107.0** |

## Table 5: TfL – Surface Transport draft capital plan

| Draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| Buses | 81.9 | 43.4 | 56.0 | 58.1 | 54.7 |
| Roads and Cycling | 279.2 | 230.8 | 255.3 | 379.1 | 459.4 |
| Other | 19.6 | 36.9 | 45.1 | 84.5 | 60.7 |
| **Total expenditure** | **380.7** | **311.1** | **356.4** | **521.7** | **574.7** |

### Table 6: TfL – Corporate draft capital plan

| Draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| Commercial Development | 78.0 | 85.3 | 113.7 | 79.9 | 85.1 |
| Future ticketing project | 26.9 | 11.9 | 0.0 | 0.0 | 0.0 |
| Other Corp capex incl. Information Management | 55.2 | 85.2 | 97.6 | 172.9 | 226.4 |
| **Corporate expenditure excluding Crossrail** | **160.1** | **182.5** | **211.3** | **252.7** | **311.4** |
| Crossrail contributions | 1,597.0 | 987.3 | 360.4 | 100.5 | 17.2 |
| **Corporate expenditure including Crossrail** | **1,757.1** | **1,169.8** | **571.7** | **353.3** | **328.6** |

### Table 7: TfL - Capital financing costs

| Capital financing costs | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
|---|---|---|---|---|
| Minimum Revenue Provision and external interest | 470.6 | 505.8 | 532.0 | 563.1 |
| **Total** | **470.6** | **505.8** | **532.0** | **563.1** |

### Table 8: TfL - Authorised limit for external debt

| Authorised limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 11,074.9 | 11,074.9 | 11,895.3 | 12,395.3 | 12,895.3 | 13,495.3 |
| Long term liabilities | 237.6 | 237.6 | 198.7 | 173.5 | 128.8 | 117.3 |
| **Total** | **11,312.5** | **11,312.5** | **12,094.0** | **12,568.8** | **13,024.1** | **13,612.6** |

### Table 9: TfL - Operational limit for external debt

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 9,982.4 | 9,982.4 | 10,840.7 | 11,340.7 | 11,840.7 | 12,440.7 |
| Long term liabilities | 237.6 | 237.6 | 198.7 | 173.5 | 128.8 | 117.3 |
| **Total** | **10,220.0** | **10,220.0** | **11,039.4** | **11,514.2** | **11,969.5** | **12,558.0** |

## Table 10: Application of net congestion charging revenue by TfL

| Congestion charging | 2017-18 £m |
|---|---|
| **Bus network improvements:** 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. | 74.7 |
| **Borough plans:** 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. | 15.6 |
| **Roads and bridges:** 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. | 60.8 |
| **Road safety:** 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. | 5.2 |
| **Walking and cycling:** TfL will continue a programme of improvements for both pedestrians and cyclists, both on its own roads and on borough roads. Investment will continue to be made to enhance the attractiveness of walking and cycling whilst delivering a safe, comfortable and attractive street environment. | 17.4 |
| **Congestion charge net revenue** | **173.7** |

**Table 1: LLDC - Subjective analysis**

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Employee expenses | 8.4 | 8.1 | 8.0 | 8.3 | 8.4 | 8.6 |
| Premises costs | 0.8 | 1.1 | 1.0 | 1.3 | 1.3 | 1.3 |
| Supplies and services | 21.4 | 18.9 | 18.7 | 16.9 | 16.1 | 16.1 |
| Financing costs | 10.9 | 10.5 | 12.2 | 10.9 | 14.2 | 19.3 |
| **Total expenditure** | **41.5** | **38.5** | **39.9** | **37.3** | **40.0** | **45.3** |
| Total income | -4.8 | -4.7 | -4.6 | -5.0 | -5.3 | -10.1 |
| **Net expenditure** | **36.7** | **33.8** | **35.3** | **32.3** | **34.8** | **35.3** |
| Transfer to/(from) reserves | -8.6 | -6.1 | -6.3 | 0.0 | 0.0 | 0.0 |
| **Financing requirement** | **28.1** | **27.7** | **29.0** | **32.3** | **34.8** | **35.3** |
| *Financed by* | | | | | | |
| GLA funding for core activities | 17.2 | 17.2 | 16.8 | 16.8 | 16.8 | 16.0 |
| GLA funding for financing costs | 10.9 | 10.5 | 12.2 | 10.9 | 14.2 | 19.3 |
| Funding/savings to be identified | 0.0 | 0.0 | 0.0 | 4.6 | 3.8 | 0.0 |
| **Council tax requirement** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

### Table 2: LLDC – Final draft Capital Plan

| Final draft capital plan | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| *Expenditure* | | | | | |
| Park Operations and Venues | 45.0 | 10.5 | 8.2 | 6.7 | 6.9 |
| Real Estate and Development | 27.7 | 77.5 | 12.7 | 31.4 | 5.4 |
| Regeneration | 1.7 | 0.6 | 0.2 | 0.2 | 0.2 |
| Cultural and Educational District | 26.2 | 11.1 | 111.5 | 236.9 | 193.5 |
| Corporate | 2.1 | 2.0 | 1.6 | 0.9 | 0.8 |
| Irrecoverable VAT & contingency | 6.3 | 2.3 | 0.3 | 0.4 | 0.6 |
| Over-programming | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total expenditure** | **109.1** | **104.0** | **134.6** | **276.4** | **207.4** |
| *Funding* | | | | | |
| Borrowing | 88.0 | 46.7 | -84.6 | 165.3 | 87.6 |
| Capital receipts: Cultural and Educational District | 2.0 | 13.2 | 150.0 | 74.8 | 11.5 |
| Capital receipts: Other | 8.1 | 34.2 | 68.8 | 35.9 | 107.7 |
| Other grants and funding | 11.0 | 9.9 | 0.5 | 0.5 | 0.5 |
| **Total funding** | **109.1** | **104.0** | **134.6** | **276.4** | **207.4** |

### Table 3: LLDC - Authorised limit for external debt

| Authorised limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 400.0 | 400.0 | 500.0 | 555.0 | 750.0 | 810.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **400.0** | **400.0** | **500.0** | **555.0** | **750.0** | **810.0** |

### Table 4: LLDC - Operational limit for external debt

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 390.0 | 390.0 | 490.0 | 545.0 | 740.0 | 800.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **390.0** | **390.0** | **490.0** | **545.0** | **740.0** | **810.0** |

### Table 1: OPDC - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|---|
| Employee expenses | 2.5 | 2.8 | 2.8 | 3.2 | 3.2 | 3.3 |
| Supplies and services | 9.3 | 6.5 | 4.5 | 4.0 | 3.9 | 3.8 |
| **Total expenditure** | **11.8** | **9.2** | **7.3** | **7.2** | **7.1** | **7.1** |
| Total income | -0.4 | -0.7 | -0.4 | -0.4 | -0.4 | -0.4 |
| **Net expenditure** | **11.4** | **8.6** | **6.9** | **6.8** | **6.7** | **6.7** |
| *Financed by:* | | | | | | |
| GLA funding for core activities | 11.4 | 8.6 | 6.9 | 6.8 | 6.7 | 6.7 |
| **Council tax requirement** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

### Table 2: OPDC - Authorised limit for external debt

| Authorised limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

### Table 3: OPDC - Authorised limit for external debt

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|---|---|---|---|---|---|---|
| Borrowing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |

# GLA Group Four Year Efficiency Plan

In March 2016 the Secretary of State for Communities and Local Government invited local authorities to publish locally owned and locally driven four year efficiency plans. The commitment from the Secretary of State was that local authorities submitting such plans would receive the minimum four year funding allocations set out in the Local Government Finance Settlement published in February 2016, including the top-up and tariff payments relating to the current business rates retention system. The Mayor welcomes this greater certainty offered by the Government as it provides a better platform for medium term planning and opportunities for further efficiencies.

The GLA published a four year efficiency plan for the period 2016-17 to 2019-20 in October 2016 and published it on its website. This Appendix G to Part II of the Mayor's Final Draft Consolidated Budget, read in conjunction with all of the budgetary information set out in the rest of Part 2, is the GLA Group's updated four year efficiency plan for the period 2017-18 to 2020-21. It is the GLA's intention that its four year efficiency plan will be updated each year as part of the budgetary process with a four year plan published as part of the Mayor's Final Draft Consolidated Budget.

**Scrutiny of savings and efficiencies programmes across the GLA Group**

The Mayor, in his Budget Guidance, sets out how the budget process drives efficiencies across the Group. The savings and efficiencies of each functional body go through a rigorous scrutiny and governance process: each has its own internal process for putting forward, considering and recommending the various detailed proposals to the Mayor. The headline savings and efficiencies proposed are then included in the Mayor's GLA Group Consultation Budget published in December.

The Consultation Budget is published for consultation with the functional bodies and London Assembly as well as any external stakeholders who may wish to comment such as business representative organisations, the London Boroughs and individual Londoners. The budget setting process that formally starts with the publishing of the consultation budget in December and ends with the agreement of the final GLA Group revenue budget is subject to the scrutiny of the London Assembly which includes the opportunity for the Assembly to put forward alternative budget plans.

**Transparency and performance information**

Each functional body of the GLA Group produces quarterly reports that cover progress against major milestones, key risks and issues and a financial summary. These quarterly reports are scrutinised both internally through the governance processes of each individual body and by the London Assembly through its Budget Monitoring Sub-Committee. The reports are published publicly in the meeting papers for the Budget Monitoring Sub-Committee.

**Benefits of the four year efficiency plan**

Publishing this efficiency plan will bring a number of benefits for the GLA Group including:

- benefitting budget setting over the four year period;
- providing clarity and transparency around the savings and efficiencies to be achieved over the four year period; and
- aiding public understanding of the savings and efficiencies programmes at the GLA and LLDC.

# Savings and Efficiencies including Shared Services across the GLA Group

**Shared services and collaborative procurement**

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. Some of the arrangements and achievements in 2016-17 are outlined below.

**The GLA Group collaborative procurement function**

The GLA Group Collaborative Procurement Team was established in April 2015 to manage the common and low complexity procurement expenditure for the GLA and each of the functional bodies. In its first year of operation the function achieved gross cashable savings of £5.2 million and gross efficiency savings of £0.5 million for the GLA Group across a range of categories including recruitment, consultancy, financial services and office supplies and equipment. The total net savings for the GLA Group, after deducting the annual operational costs of the function, were £3.2 million. The function is governed by the GLA Collaborative Procurement Board whose duties include exploring opportunities for further collaboration across more complex areas of expenditure with a view to increasing the level of savings achieved.

**The GLA Group Investment Syndicate (GIS)**

The GLA has established a Group Investment Syndicate (GIS) across the whole of the GLA Group (excluding TfL but including the London Pensions Fund Authority). The GIS makes collective decisions on the Syndicate's c£2 billion of investments and c£4 billion of borrowings. The GIS has been able to generate significant additional income from investments, within strict risk parameters, and optimise borrowing decisions across the Group through economies of scale. It also provides a more resilient function for the Group, than was available individually. The GIS platform is being developed to enable other parts of London government to enjoy these benefits.

**Using technology to improve efficiency**

The GLA is using technology to deliver innovation, collaboration and value for money as well as supporting the work of the Mayor of London, London Assembly and GLA. There are a number of technology infrastructure programmes at the GLA; some of the key elements include the introduction of a scalable, cloud-based infrastructure to deal with growth in data and to ensure that up-to-date office systems are in place with improved support for collaboration and mobile working. Another is the use of open source IT tools that have brought further efficiencies for the GLA and has also crucially removed the restrictions associated with complying with often complex and restrictive licence arrangements.

**Business rates maximisation and council tax arrears programmes**

Under the business rates retention scheme the GLA currently receives 20 per cent of all business rates income collectable by the 33 London billing authorities – a figure which will rise to 37 per cent in 2017-18 - and benefits proportionately from any real terms incremental growth in the tax base. It also receives between 10 per cent and 45 per cent of the council tax income generated across the 33 London billing authorities. Including the Crossrail business rate supplement the GLA will receive over £4 billion of income from these sources in 2017-18.

The GLA is funding a number of projects jointly with London boroughs to maximise business rates and council tax income. In relation to business rates the GLA is working collaboratively with councils in London to identify assessments by rateable value which have been omitted from or are incorrectly recorded or valued in the rating list and to maximise business rates income more generally across London. The GLA is also working collaboratively with several London boroughs to fund projects which seek to reduce council tax arrears and maximise council tax income more generally.

Moving forward the GLA will be seeking to expand the scope of these projects as we move towards 100 per cent business rates retention by 2020.

**Devolution and GLA Group efficiency plans**

The Mayor is working with the functional bodies, the London Boroughs, London Councils and other stakeholders to develop London devolution proposals to put to Government. An ambitious plan has been developed to further London's self-governance and devolution asks in order to promote jobs, growth and greater equality across the capital. This is alongside the detailed work ongoing on the Government's policy to devolve 100 per cent of business rates to local government in England by 2019-20.

The Mayor reconvened the London Finance Commission in July 2016 to assess the powers the capital needs to underpin the long term prosperity of the city. The Commission reported in January 2017 – *Devolution: a capital idea*. The Commission made a number of recommendations on the tax and spending powers London now needs to take control of its future. These include:

- the need for London's government to control a broader and more varied tax base including – short of this, to develop a consultation, with Government, on the potential for a land value capture charge;
- powers over the full suite of property taxes;
- an assignment of income tax and VAT, along with smaller taxes such as the apprenticeship levy and the Soft Drinks Industry Levy;
- permissive powers to establish smaller taxes (including a tourism levy); and
- establishing a land value capture pilot on undeveloped land.

The Commission's rationale is that fiscal powers provide stronger economic incentives than a system based on grant funding or reliance on Business Rates Retention. Importantly, with a broad base and mix of fiscal powers, London's government would have a stable income base to fund public services and borrow against for further investment in infrastructure. London's government would carry the risks of this tax yield declining but would also be rewarded for decision-making that led to economic growth. Devolution would be fiscally neutral from day 1 – the reduction in grant would equal the baseline yield of taxes devolved. The Treasury would continue to capture the benefits of London's growth in centralised taxes. A strong, confident London, as the UK's main international asset, will be critical to the country's success, following the vote to leave the European Union. At a time of national change, devolving strong fiscal and service delivery powers to London will be an act of confidence in the capital's long term competitiveness.

**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 Shared HR**: The GLA provides HR services for MOPAC and OPDC;
- **GLA Shared IT**: The GLA Technology Group provides the IT Service for MOPAC and OPDC;
- **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, the GLA and OPDC.

### Savings and efficiencies across the GLA Group

The total savings and efficiencies to 2020-21 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 and efficiencies | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
|---|---|---|---|---|
| GLA: Mayor | 2.1 | 1.5 | 1.5 | 1.5 |
| GLA: London Assembly | 0.0 | 0.0 | 0.0 | 0.0 |
| MOPAC[1] | 74.8 | -25.7 | 2.9 | 78.4 |
| LFEPA | 7.8 | 0.1 | 1.0 | 2.0 |
| TfL | 227.6 | 327.7 | 135.0 | 63.6 |
| LLDC | 3.8 | 0.9 | 1.1 | 4.5 |
| OPDC | 1.7 | 0.0 | 0.0 | 0.0 |
| **Total** | **317.8** | **304.5** | **150.5** | **150.0** |

1. The negative £25.7 million for MOPAC in 2018-19 relates to one-off savings identified in 2017-18. This reflects MOPAC's current saving and efficiency plans and will be reviewed and developed as part of future budget setting processes.

The table below sets out the savings to be identified within the budgets of each of the GLA Group functional bodies. The figures are set out on a cumulative basis because the plans to meet these savings are being developed - until the plans have been completed the savings cannot be said to have been identified and so accumulate across the four years.

| Savings to be identified | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
|---|---|---|---|---|
| GLA: Mayor | 0.0 | 0.0 | 0.0 | 0.0 |
| GLA: London Assembly | 0.0 | 0.0 | 0.0 | 0.0 |
| MOPAC | 0.0 | 93.7 | 169.8 | 184.7 |
| LFEPA | 0.0 | 0.0 | 0.0 | 9.1 |
| TfL | 0.0 | 0.0 | 0.0 | 0.0 |
| LLDC | 0.0 | 4.6 | 3.8 | 0.0 |
| OPDC | 0.0 | 0.1 | 0.2 | 0.3 |
| **Total** | **0.0** | **98.4** | **173.8** | **194.1** |

# 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 2017-18.

| | Gross expenditure net of council tax collection fund surplus | Fares income | Other general income | Net expenditure before use of reserves | Use of reserves | Net expenditure after use of reserves |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **MOPAC** | **3,269.1** | **0.0** | **-263.6** | **3,005.5** | **-81.8** | **2,923.7** |
| GLA Mayor | 1,027.2 | 0.0 | -139.7 | 887.5 | 84.3 | 971.8 |
| GLA Assembly | 7.4 | 0.0 | 0.0 | 7.4 | 0.0 | 7.4 |
| LFEPA | 426.8 | 0.0 | -34.9 | 391.9 | 2.8 | 394.7 |
| TfL | 6,978.0 | -4,877.4 | -945.1 | 1,155.5 | 0.0 | 1,155.5 |
| LLDC | 39.9 | 0.0 | -16.8 | 23.1 | -6.3 | 16.8 |
| OPDC | 7.3 | 0.0 | -4.8 | 2.5 | 0.0 | 2.5 |
| Ctax cfund (surplus) | -24.8 | 0.0 | 0.0 | -24.8 | 0.0 | -24.8 |
| Business rates cfund deficit | 27.5 | 0.0 | 0.0 | 27.5 | 0.0 | 27.5 |
| **Total other services** | **8,489.3** | **-4,877.4** | **-1,141.3** | **2,470.6** | **80.8** | **2,551.4** |
| **Total GLA Group** | **11,758.4** | **-4,877.4** | **-1,404.9** | **5,476.1** | **-1.0** | **5,475.1** |

Note: GLA Mayor gross expenditure includes business rates retention levy and tariff payments. 'Ctax' is council tax. 'cfund' is collection fund.

### Council tax requirement and Band D council tax

| | Net expenditure after use of reserves | Specific Government grants | General Government grants | Business rates | Council tax requirement | Band D amount |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £ |
| **MOPAC** | **2,923.7** | **420.1** | **1,882.0** | **29.6** | **592.0** | **206.13** |
| GLA Mayor | 971.8 | 0.0 | 0.0 | 908.6 | 63.2 | 21.97 |
| GLA Assembly | 7.4 | 0.0 | 0.0 | 4.8 | 2.6 | 0.91 |
| LFEPA | 394.7 | 12.2 | 0.0 | 244.2 | 138.2 | 48.01 |
| TfL | 1,155.5 | 67.2 | 228.0 | 854.3 | 6.0 | 2.08 |
| LLDC | 16.8 | 0.0 | 0.0 | 16.8 | 0.0 | 0.0 |
| OPDC | 2.5 | 0.0 | 0.0 | 2.5 | 0.0 | 0.0 |
| Ctax cfund (surplus) | -24.8 | 0.0 | 0.0 | 0.0 | -24.8 | -8.62 |
| Business rates cfund deficit | 27.5 | 0.0 | 0.0 | 0.0 | 27.5 | 9.54 |
| **Total other services** | **2,551.4** | **79.4** | **228.0** | **2,031.2** | **212.7** | **73.89** |
| **Total GLA Group** | **5,475.1** | **499.5** | **2,110.0** | **2,060.8** | **804.7** | **280.02** |

## 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 and the general element of the GLA Transport Grant and in respect of 2016-17 revenue support grant) and specific grants (including for example Home Office police funding for counter-terrorism, Fire revenue grant and TfL Overground grant);
- 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 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|---|---|---|---|---|
| GLA Mayor | 505.9 | 971.8 | 883.8 | 905.3 | 919.7 |
| GLA Assembly | 7.2 | 7.4 | 7.4 | 7.4 | 7.4 |
| MOPAC | 2,932.4 | 2,923.7 | 2,911.5 | 2,899.6 | 2,887.3 |
| LFEPA | 395.0 | 394.6 | 394.6 | 394.6 | 394.6 |
| TfL | 1,344.7 | 1,155.5 | 909.3 | 891.3 | 860.3 |
| LLDC | 0.0 | 16.8 | 10.8 | 10.8 | 10.0 |
| OPDC | 0.0 | 2.5 | 1.4 | 1.3 | 1.2 |
| Collection fund surplus council tax | -32.4 | -24.8 | 0.0 | 0.0 | 0.0 |
| Collection fund deficit business rates | 78.7 | 27.5 | 0.0 | 0.0 | 0.0 |
| **Net revenue expenditure** | **5,231.5** | **5,475.1** | **5,118.8** | **5,110.3** | **5,080.5** |

## 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 2017-18.

The Mayor's precept in respect of police services has been increased by 1.99 per cent from £202.11 to £206.13. This decision corrects the previous underfunding of the Metropolitan Police Service by the previous Mayor compared to the Home Office's expectations. Reflecting the impact of the actual 2.4 per cent buoyancy in the tax base, this means the police council tax requirement will actually increase by £25.3 million or 4.4 per cent in 2017-18.

The GLA has a specific local policing element of £36.5 million within its local government settlement funding allocation for 2017-18 and future years. This relates to MOPAC's estimated share of prior year Council Tax Freeze grants. The previous Mayor increased MOPAC's precept in 2014-15 by £9.4 million in respect of council tax freeze grant and allocated MOPAC £27.1 million in Revenue Support Grant in 2016-17 and future years in order to deliver the £36.5 million sum set out in 2016-17 local government finance settlement in respect of 'London policing'. The sum allocated to MOPAC through retained rates has been increased by £2.5 million compared to 2016-17 to £29.6 million.

TfL's share of retained business rates has been frozen in cash terms in 2017-18 in respect of the funding provided for its revenue (operational) budget. In addition £960 million of retained rates income has been provided to fund TfL's capital programme via retained rates – equating to the DfT settlement allocation for its capital investment grant agreed in the 2015 spending review which the Government is proposing will be funded from business rates from 2017-18. The Mayor has made no change to his funding for LFEPA although due to the transfer of the GLA's Revenue Support Grant into retained business rates the equivalent sums are now funded from that source.

**Rates retention funding**

The table below sets out the provisional forecast of rates retention income for 2017-18. The GLA Mayoral allocation includes an element for GLA services with the remainder being transferred into the Business rates reserve as set out in section 2. Any variances between the total income receivable and the amount allocated for services, levy and tariff payments are accounted for centrally through the Business Rates Reserve. Appendix I outlines the assumptions made in more detail for 2017-18 and the subsequent three years having regard to the planned introduction of 100 per cent business rates retention.

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 and MOPAC are expected to be no lower than the figure stated. The allocations for 2017-18 have been updated to take into account the forecasts submitted by the 33 London billing authorities in January 2017. The GLA expects to manage any volatility arising from these forecasts compared to the eventual outturn through the GLA's Business Rates Reserve.

## Forecast of business rates income in 2017-18

| | GLA Mayor £m | GLA Assembly £m | TfL £m | LFEPA £m | MOPAC £m | LLDC £m | OPDC £m | Total £m |
|---|---|---|---|---|---|---|---|---|
| Total business rates allocated to GLA and functional bodies for services | 85.9 | 4.8 | 1,814.3 | 244.2 | 29.6 | 16.8 | 2.5 | 2,198.1 |
| Total business rates income allocated to the Business Rates Reserve | | | | | | | | 102.5 |
| Business rates income funding tariff payment to DCLG | | | | | | | | 720.2 |
| **Total rates retention income** | | | | | | | | **3,020.7** |
| Tariff payment to DCLG | | | | | | | | -720.2 |
| Forecast Levy payment on growth to DCLG | | | | | | | | -33.5 |
| **Total forecast rates retention revenues in respect of 2017-18 (section 31 grant income and income from billing authorities)** | | | | | | | | **2,267.1** |
| Collection fund deficit forecast – net sums repayable to billing authorities for 2016-17 and prior years | | | | | | | | -27.5 |
| **Total assumed rates retention revenues received in 2017-18 (section 31 grant and income from billing authorities)** | | | | | | | | **2,239.6** |

## 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 estimated £24.8 million collection fund surplus in respect of Council Tax for 2016-17 which would be paid over by billing authorities through an adjustment to the 2017-18 instalments.

There are two sets of Council Tax calculations which the GLA must make 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 requirement for police services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Net financing requirement | 2,932.4 | 2,923.7 | 2,911.5 | 2,899.6 | 2,887.3 |
| Government grants and Retained Business Rates | -2,365.7 | -2,331.7 | -2,307.6 | -2,283.6 | -2,259.0 |
| **Amount for police services** | **566.7** | **592.0** | **603.9** | **616.0** | **628.3** |

This is equivalent to a Band D Council Tax for police services of £206.13 for 2017-18 in the 32 London boroughs (£202.11 in 2016-17).

**Council tax requirement for other services**
The estimated amount to be raised for other services is as follows:

| Council Tax requirement for other services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| GLA, LFEPA, LLDC, OPDC and TfL net expenditure | 2,270.0 | 2,549.8 | 2,208.1 | 2,211.5 | 2,194.2 |
| Government grants and Retained Business Rates | -2,108.7 | -2,339.7 | -1,991.1 | -1,990.2 | -1,968.5 |
| Share of borough net collection fund surplus/deficit (council tax and business rates) | 46.3 | 2.63 | 0.0 | 0.0 | 0.0 |
| **Amount for other services** | **207.6** | **212.7** | **217.0** | **221.3** | **225.7** |

This is equivalent to a Band D Council Tax of £73.89 for 2017-18 in the City of London – the same level as in 2016-17.

**Summary of proposed adjusted and unadjusted council tax by Band**
The adjusted basic amount of council tax is therefore £280.02 for a Band D property (i.e. £206.13 for the Metropolitan Police plus £73.89 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 | 2017-18 | 2016-17 | Change |
|---|---|---|---|
| Band A | £186.68 | £184.00 | £2.68 |
| Band B | £217.79 | £214.67 | £3.12 |
| Band C | £248.91 | £245.33 | £3.58 |
| **Band D** | **£280.02** | **£276.00** | **£4.02** |
| Band E | £342.25 | £337.33 | £4.92 |
| Band E | £404.47 | £398.67 | £5.80 |
| Band G | £466.70 | £460.00 | £6.70 |
| Band H | £560.04 | £552.00 | £8.04 |

The provisional unadjusted basic amount of council tax is £73.89 – 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 Common Council of the City of London for non police services only (£)**

| Band | 2017-18 | 2016-17 | Change |
|---|---|---|---|
| Band A | £49.26 | £49.26 | £0.00 |
| Band B | £57.47 | £57.47 | £0.00 |
| Band C | £65.68 | £65.68 | £0.00 |
| **Band D** | **£73.89** | **£73.89** | **£0.00** |
| Band E | £90.31 | £90.31 | £0.00 |
| Band E | £106.73 | £106.73 | £0.00 |
| Band G | £123.15 | £123.15 | £0.00 |
| Band H | £147.78 | £147.78 | £0.00 |

**Council tax referendum thresholds**

On 15 December the Government published the draft regulations setting out the council tax referendum thresholds for 2017-18 – the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2017-18.' 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 budget are both lower than the GLA's estimate of the council tax referendum thresholds that will apply for 2017-18 (i.e. £281.51 – a 1.99 per cent increase on the adjusted amount for 2016-17 of £276.00 and £75.36 – a 1.99 per cent increase on the unadjusted amount for 2016-17 of £73.89). The council tax levels proposed in this 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.

At the date on which the Mayor's final draft budget was published these regulations remained subject to formal approval by Parliament. Formal parliamentary approval is not anticipated until 22 February 2017.

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 the council tax base. This would take into account both the impact of changes in the Band D precept as well as movements in the tax base. The Mayor is proposing a 1.99 per cent in the Band D council tax precept for police services, correcting the previous underfunding of the Metropolitan Police Service by the previous Mayor compared to the Home Office's expectations. Taking into account the estimated 2.4 per cent uplift in the tax base results in an effective 4.4 per cent increase in the sums provided in council tax for police services in 2017-18.

# 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 2016 Autumn Statement published on 23 November 2016, the Provisional Fire and Local Government Finance Settlements published on 15 December 2016 and the Final Police Grant report published on 1 February 2017.

It also explains the underlying assumptions supporting the retained business rates forecasts and considers the impact of the move to 100 per cent business rates retention by 2020 including the GLA's proposed pilot of this in 2017-18. This analysis highlights the degree of uncertainty which exists in respect of future years funding given the Government's commitment to focus on controlling public expenditure and the potential volatility in both council tax and business rates income.

**2017-18 Local Government and Fire Finance Settlement**
The provisional 2017-18 Local Government Finance and Fire Settlement was published on 15 December 2016. It was subject to a four week consultation process which ended on 13 January 2017. The settlement confirmed the provisional funding allocations for English local and fire authorities for 2017-18 with indicative allocations for the following two years - 2018-19 and 2019-20.

The Government confirmed in the settlement announcement that it had concluded negotiations with the GLA and London Councils in respect of its proposed pilot for business rates retention in London in 2017-18. However as three of the other five English pilot areas had not yet reached agreement with the Government the GLA's published settlement figures were not updated to reflect the resulting changes. CLG has however supplied the GLA with the figures it expects to publish in the final local government finance settlement reflecting the increase in its share of retained business rates and the rolling in of the GLA's revenue support grant and the £960 million TfL capital grant. The figures published in this budget are consistent with these numbers, which it is assumed will be issued in the final settlement that is expected to be approved by Parliament on 22 February 2017.

Taking into account the impact of the agreed pilot the GLA's total settlement funding allocation for 2017-18 is forecast to be £2,117.2 million which will be fully financed from retained business rates.

This sum includes the GLA's former revenue support grant – of which around two thirds relates to fire and rescue funding – which is being rolled into the business rates retention scheme in April 2017. The sums rolled in are consistent with the allocations confirmed in the four year settlement announced in February 2016 i.e. £148.5 million in 2017-18, £136.4 million in 2018-19 and £127.9 million in 2019-20. An indicative figure has also been assumed for 2020-21. In 2017-18, £112 million of this former revenue support grant has been allocated to LFEPA and £29.6 million to MOPAC with the remaining £8 million apportioned between the GLA Mayoral and Assembly components.

Depending on decisions still to be taken by the Home Office it is possible that the fire and rescue element of the GLA's settlement funding baseline – estimated at £209.2 million in 2019-20 – could be removed from business rates retention and be paid via Home Office grant after 2018-19. It is the Mayor's stated preference, however, for London's fire and rescue funding to continue to be funded via the business rates retention system.

The assumed settlement funding allocation also includes £960 million in 2017-18 in respect of former DfT (capital) investment grant which the Mayor has agreed with the Secretary of State will be rolled into the business rates retention system. This will be paid to TfL and is reflected in its capital spending plan funding in section 9 and Appendix D. In line with TfL's 2015 Spending Review letter the following amounts relating to this capital grant are included for future years - £976 million in 2018-19, £993 million in 2019-20 and £1,010 million in 2020-21. This is in addition to the £854.3 million of business rates funding relating to former DfT operating and bus operators support grant already included in the baseline position in 2016-17. However, the Mayor has decided not to uprate this latter element of TfL's funding by the 2 per cent inflationary uplift in the business rates multiplier in 2017-18.

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 in early February 2017 and the impact will be reflected in the Mayor's final draft budget.

The Mayor's indicative allocations of retained business rates funding for 2017-18, 2018-19 and 2019-20 consistent with the four year agreed settlement across the GLA, Assembly and functional bodies are set out in Appendix H. Illustrative numbers are also included for 2020-21.

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

On 15 December the Home Office announced the provisional general grant allocations for 2017-18 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. The final settlement was announced on 1 February and the allocations for MOPAC were unchanged although the Police Grant report is not expected to be approved by Parliament until 22 February.

MOPAC has been allocated general police grant of £1,882.0 million in 2017-18 comprising £849.4 million of core grant, £739.3 million of former CLG formula grant, £119.7 million in council tax benefit legacy grant and £173.6 million in NICC funding.

Final specific grant allocations for policing for 2017-18 will be confirmed by the Home Office in early 2017. This includes the allocations for counter-terrorism funding. In the settlement the Home Office confirmed that revenue funding for counter-terrorism nationally has been set at £670 million. The allocations by force are however not made publicly available. In addition a further £32 million has been provided nationally for armed policing via the Police Transformation Fund.

Decisions on police funding for 2018-19 and future years were not announced. The Mayor has assumed for planning purposes that the general policing grant in 2018-19, 2019-20 and 2020-21 will be £1,858.4 million, £1,834.4 million and £1,809.8 million respectively. These figures are indicative, however, as the Home Office is intending to consult on changes to the police funding formula for 2018-19 onwards.

The GLA's settlement funding allocation within the local government finance settlement includes £36.6 million for 'London policing'. This figure represents the Government's estimated share for policing 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 GLA's settlement funding baseline. 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.

Of this sum £9.4 million has been paid to MOPAC since 2014-15 through an uplift in its council tax requirement. The balance was allocated to MOPAC through revenue support grant in 2016-17 and will therefore now be provided in 2017-18 via retained business rates. The Mayor has increased this latter figure by £2.5 million to £29.6 million in order to meet the overall funding target for MOPAC and provide additional resources to tackle knife crime.

**Transport for London funding settlement with the Department for Transport**
In 2015 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 (capital) grant element of its funding.

This budget assumes that £228.0 million of general (operating) GLA Transport grant will be received for the purposes of TfL in 2017-18. This is £291.3 million lower than the comparable grant for 2016-17. The operating grant is expected to cease from 2018-19 in line with TfL's 2015 Spending Review letter.

As explained above TfL's capital investment grant will be funded from 2017-18 via retained business rates. The Mayor has allocated this to TfL in 2017-18 and future years for capital purposes as reflected in its draft capital spending plan (Table 3 in Appendix D). TfL also receives other revenue and capital specific grants for specific programmes and projects which are agreed paid separately including Crossrail funding.

**Funding assumptions for retained business rates for 2017-18 including the implications of the devolution to 100 per cent business rates retention**
In April 2013, the Government changed the way in which local government is funded through the introduction of the business rates retention scheme. This change allowed local authorities to retain up to 50 per cent of the business rates income in their area with the remaining 50 per cent held back by central government to fund revenue support grant, the New Homes Bonus and other funding streams.

Since 2013-14 the GLA has received 20 per cent of the business rates income collectable in London and has been able to retain 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. London boroughs currently retain the other 30 per cent of the 50 per cent local share.

In October 2015 the Chancellor of the Exchequer announced that by the end of this parliament 100 per cent of business rates income would be devolved to local government and core grant funding via revenue support grant would end.

In July 2016 the Government issued a consultation paper 'Self Sufficient Local Government – 100 per cent Business rates retention' setting out its initial views as to how the 100 per cent business rates retention system will operate. London Councils and the Mayor submitted a joint response to this consultation in September 2016 which included fourteen key asks.

In addition the consultation proposed that local authorities would be permitted to reduce the non domestic rating multiplier in their areas. Mayors of Combined Authorities outside London would also be permitted to apply an infrastructure levy of up to 2p on business rates bills subject to the approval of their Local Enterprise Partnership – similar to the Crossrail Business Rate Supplement which the GLA has levied since April 2010.

The draft legislation to enact the proposed changes via the Local Government Finance Bill 2017 was published on 13 January 2017. The Bill confirms that the infrastructure levy power – now renamed the infrastructure supplement – would also be made available to the Mayor of London in addition to the existing business rate supplement powers. The power to lower the multiplier will also be made available to the Mayor of London along with other major preceptors (e.g. county councils in two tier areas and elected Mayors outside London) in addition to billing authorities. The Bill received its second reading in the House of Commons on 23 January and is expected to receive Royal Assent subject to it passing through the House of Lords by the end of 2017.

The GLA has agreed to be a pilot authority for the introduction of 100 per cent retention along with five other combined authority areas outside London in 2017-18. As set out previously based on the agreement reached between the Mayor, London Councils and the Secretary of State the GLA's £148.5 million revenue support grant allocation and TfL's £960 million capital investment grant is proposed to be rolled into the business rates retention system from 2017-18 onwards. On this basis it has been agreed that the GLA's share of business rates will increase from 20 per cent to 37 per cent with a matching reduction in the current 50 per cent share retained by central government to 33 per cent. There will be no change to the 30 per cent share for London boroughs and the Corporation of London in 2017-18. This change is expected to be reflected in the final local government finance settlement and secondary legislation will be laid before Parliament during February 2017 to implement the increase in the GLA's business rates share.

Decisions on the split of the remaining 33 per cent central share between the Mayor and boroughs by 2020 will be determined by London Government having regard to the funding and functions rolled into the retention system to ensure that the entire business rates tax take is allocated to local authorities. The Government has already announced its intention by 2019-20 to transfer in adult education and skills funding into the retention system with the GLA taking responsibility for this service in London. Other funding streams likely to be rolled in include early years funding, public health grant and Better Care Funding for social care but the precise responsibilities and funding to be transferred are still to be confirmed by the Government.

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 in year instalments with any variations in the forecast outturn (whether a surplus or deficit) being adjusted for in the following year's instalments.

From the income it receives from billing authorities the GLA 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 payment on growth are available to support GLA services. Authorities whose funding baseline is higher than their business rates income receive a top up.

Business rates income in London will change materially in 2017-18 due to the impact of the 2017 business rates revaluation. Based on the draft valuations published on 30 September rateable values in London will increase by 23 per cent in 2017 compared to the English average of 9 per cent.

The effect of this has been to cause the business rates multiplier to be reduced to ensure the tax take remains unchanged in real terms – as is required following a revaluation under existing legislation. The multiplier also includes an assumed adjustment for losses on appeals.

London ratepayers are forecast to see their NNDR bills rise by around £900 million or 11 per cent although in some extreme cases rates liabilities for some properties are increasing by more than 1,000 per cent. The effective rise before assumed refunds for successful appeals is closer to £1.2 billion. These increases in bills will be phased in by the Government through a transitional relief scheme – albeit for large ratepayers occupying properties with rateable values above £100,000 the cap on maximum increases in bills in 2017-18 is 42 per cent plus RPI inflation of 2 per cent with a cap of 130 per cent on increases in real terms over the next three years. In practice, however there are significant differences across the capital with rates liabilities in Hackney and Islington for example increasing on average by more than 40 per cent but a small number of outer London boroughs seeing average bills fall. By contrast bills in every other English region including in every key business sector will fall.

As revaluations are redistributive and do not raise additional revenue nationally London local government will not retain the additional revenues collected from ratepayers. These will be removed via an adjustment to tariff and top up payments and transferred to local authorities outside the capital seeing their rates income falling following the revaluation.

The Mayor's budget has been updated to take into account the business rates forecasts for 2017-18 and updated estimates for 2016-17 supplied by the 33 London billing authorities in their National Non Domestic Rating (NNDR) 1 returns in January 2017. Based on these returns the GLA's forecast share of total business rates income – including any section 31 grants for any government funded reliefs – will be £3,020.6 million – some £0.2 million less than assumed in the draft budget. In addition it is estimated that the residual shortfall in revenues at 31 March 2016, compared to the original previous forecasts submitted by the London billing authorities, is around £27.5 million. For the purposes of the budget therefore this is be the collection fund deficit in respect of business rates for 2016-17. This sum will be recovered by billing authorities through an adjustment to their 2017-18 instalment payments to the GLA.

To reflect the impact of the revaluation and the higher GLA share of retained business rates this budget assumes that the GLA's tariff payment will increase by 101 per cent or £361.6 million from £358.6 million in 2016-17 to £720.2 million in 2017-18. This reflects the GLA's 37 per cent share of the estimated £900 million plus increase in business rates liabilities in London as a result of the 2017 revaluation adjusted for September 2016 RPI inflation of 2 per cent. The additional tariff payment will be transferred via the Government to support local authorities experiencing a reduction in business rates income as a result of the revaluation. A levy payment on growth of £33.5 million is also forecast for 2017-18 – around £8.8 million lower than assumed in the draft budget reflecting updated billing authority data on reliefs financed by central government through section 31 grant.

This leaves an estimated £2,239.6 million available to support services and/or to transfer to the Business Rates Reserve to meet potential future funding challenges.

The budget also assumes that the cost of the additional rates reliefs announced in previous Budgets and Autumn Statements which affect revenues in 2017-18 and future years including small business double rate relief and the ongoing impact of the 2 per cent multiplier cap in 2014-15 and 2015 16 will continue to be funded by the Government. 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 2017.

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 2018-19 and 2019-20 will be 2.3 per cent with this dropping in 2020-21 when the uprating of the multiplier is expected to change from RPI to CPI under proposed changes reflected in the Local Government Finance Bill. The proposed allocations of forecast business rates income for those years are set out in the relevant sections for the GLA, Assembly, MOPAC, TfL and LFEPA.

There are other potential uncertainties which could affect business rates income beyond 2017-18. In particular Government is also introducing reforms to the business rates appeals system from April 2017 and there remain significant backlogs in clearing appeals on the current 2010 rating list.

At 1 April 2016 there were around 65,000 outstanding business rates appeals in London equivalent to more than one in five properties – the highest proportion of any English region. These appeals are particularly concentrated in central London boroughs with the number of unresolved challenges equating to more than one third of all properties in the City of London and the City of Westminster – which by definition means these appeals will tend to be more complex and financially material.

The GLA held a provision of £165 million on its balance sheet at 1 April 2016 to meet the potential cost of refunds for these outstanding appeals and this is likely to double to over £300 million in 2017-18 as a result of its increased share of business rates. The new Check Challenge Appeal system being introduced from April 2017 will also create initial uncertainty around the future level of appeals as ratepayers, rating agents and local authorities adjust to the new arrangements. This is likely – at least initially – to make forecasting potential losses due to appeals more difficult for the new rating list. Given London is the only English region where rates bills are increasing following the revaluation these challenges are likely to be greater in the capital than elsewhere.

The GLA is managing the ongoing risks associated with rates retention funding through the use of the Business Rates Reserve. In considering the amount required to be retained in this 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 sufficient sums 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.

The full 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 Business Rates Reserve in future years. These issues will be closely monitored and further advice will be developed for shaping the future strategy for this Reserve.

**Council tax assumptions**

Each London billing authority was required to determine its proposed council tax support and council tax base for 2017-18 by 31 January 2017 – and reflect the discounts in its council tax base which will be used for tax setting by it and the GLA. They were also required to provide an estimated collection fund surplus or deficit outturn calculation for 2016-17 for council tax taking into account expected collection rates.

The Mayor's draft budget assumed a 2 per cent council tax base increase in 2017-18 and subsequent years and a £12.2 million collection fund surplus estimate for 2017-18 only. The actual tax base increase confirmed by billing authorities was 2.4 per cent and the estimated collection fund surplus for 2016-17 in respect of council tax is £24.8 million. The final tax base generates an additional £3.5 million of revenue based on the Mayor's proposed Band D precept compared to the draft budget and this has been apportioned to the GLA (£1 million) and MOPAC (£2.5 million) on a pro rata basis in line with the non police and police Band D precepts of £73.89 and £206.13.

In 2018-19, 2019-20 and 2020-21 it is assumed for the purposes of the current Mayor's budget that the Mayor's Band D precept in the 32 boroughs will remain at the proposed level for 2017-18 of £280.02 in all three years and that the council tax base will increase by 2 per cent year on year. It is the impact of this 2 per cent assumed tax base growth therefore which results in the aggregate council tax requirement increasing by £16.1 million in 2018-19 £16.3 million in 2019-20 and £16.7 million in 2020-21.

The Band D precept for policing is also assumed at this stage to remain at the proposed 2017-18 level of £206.13 for the next three years. Due to the tax base uplift, however, MOPAC's council tax requirement is assumed to increase by £11.9 million in 2018-19, £12.1 million in 2019-20 and £12.3 million in 2020-21.

The non police precept is therefore also assumed at this stage to remain unchanged at £73.89 to 2020-21 with the additional revenue from the assumed 2 per cent tax base uplift each year being held initially within the GLA.

The Mayor's decision on council tax levels is of course an annual one and he will make a determination on the appropriate Band D precept each year having regard to Government grant settlements, the referendum thresholds approved by Parliament and the need to balance maintaining investment in key front line services which keep Londoners safe.

The Mayor's council tax proposals would not trigger a referendum as he is only proposing in 2017-18 to increase the police element of the precept by 1.99 per cent or £4.02. The adjusted basic amount of council tax (i.e. the total precept payable by taxpayers in the 32 London boroughs) could be increased by up to £5.51 to £281.51 – a 1.99 per cent increase on the 2016-17 precept of £276. This would generate additional revenues of around £4.3 million more than the Mayor's proposed precept of £280.02.

The unadjusted amount of council tax for non police services payable by taxpayers in the City of London can only be increased by a maximum of £1.47 to £75.36 if a referendum is not to be triggered. If the current referendum threshold for the unadjusted precept is retained this will constrain the current and future Mayors in their 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 £1.47 increase in the non police precept in 2017-18 would for example raise £4.2 million more compared to the gross revenue expenditure for non police services of nearly £8 billion.

The GLA will continue to lobby the Government to introduce a monetary as well as a percentage cap – similar to that granted to police forces and shire districts with low Band D council taxes – of say £5 in respect of the non police 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 transition towards 100 per cent business rates retention which the Government has announced will be completed by 2020.

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 will continue to maintain a Business Rates Reserve to help manage these risks over the medium term and to provide a degree of certainty to Functional Bodies.

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 H of this document. However, the assumptions for future year's police funding are dependent upon the outcome of the Government formula review.

# Budget timetable and key dates

| Date | Description |
|---|---|
| 25 January 2017 | Mayor presented his draft consolidated budget to the London Assembly |
| 20 February 2017 | Mayor to present his final draft consolidated budget to the London Assembly. |
| 28 February 2017 | Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2017-18 and notify the Secretary of State for Communities and Local Government. |
| 31 March 2017 | 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. |

# Summary of Changes Compared to Draft Budget

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 relate to the numbering in this document, not the budget consultation document.

**Section 1: Introduction and Summary**

Table 1.5: Table updated to reflect changes to gross expenditure for LFEPA, GLA and MOPAC and capital spending plan for GLA and MOPAC.

Paragraphs 1.3: Component council tax requirement table updated to reflect revised council tax requirements following receipt of business rates and council tax base data from London billing authorities

Table 1.19: Updated to reflect changes in Table 1.5 and other consequential changes arising from amendments to MOPAC, LFEPA and GLA budgets

Business rates retention sections updated to reflect updated data from London billing authorities on business rates income for 2017-18.

Allocation of funding sources table under paragraph 1.30 updated to reflect revised 2017-18 allocations for GLA and MOPAC

**Section 2: Greater London Authority: Mayor of London**

Gross revenue expenditure and net revenue expenditure text updated for revised GLA budget figures.

Objective analysis, changes in council tax requirement and reserves tables: updated for revised GLA budget figures.

**Section 4: MOPAC**

Gross revenue expenditure and net revenue expenditure text updated for revised MOPAC budget figures

Objective analysis, changes in council tax requirement and reserves tables: updated for revised MOPAC budget figures

**Section 5: London Fire and Emergency Planning Authority**

Text and tables updated to reflect revised gross expenditure and use of reserves for 2017-18 gross revenue expenditure and net revenue expenditure text updated for revised LFEPA budget figures

Objective analysis, changes in council tax requirement and reserves tables: updated for revised LFEPA budget figures

**Appendix A: Greater London Authority: Mayor and London Assembly**

Table 1: GLA: Mayor – subjective analysis: adjusted
Table 4: GLA: Mayor – capital spending plan updated

**Appendix B: MOPAC**

Table 1: MOPAC – subjective analysis: adjusted
Table 2: MOPAC – capital spending plan updated

**Appendix C: LFEPA**

Table 1: LFEPA – subjective analysis: adjusted

**Appendix E: LLDC**

Tables 3 and 4: LLDC borrowing limits updated

**Appendix H: Summary of Revenue Expenditure and Financing**

Net expenditure and council tax requirement tables: Updated to reflect impact of the council tax and business rates returns for 2017-18 and updated forecasts for 2016-17 supplied by billing authorities in January 2017.

**Appendix I: Funding Assumptions and Future Changes to Business Rates**

Consequential changes are made to the text in subsequent sections to reflect billing authority returns, the final police grant settlement, the updated position on the final local government and fire finance settlement and an updated on the progress of the Local Government Finance Bill through Parliament.

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# PART 3

# Final draft consolidated budget 2017-18: Finance and legal advice

# 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;
- a private budget 'challenge' process designed to test the integrity of each functional body's own planning and scrutiny processes;
- 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; and
- scrutiny by the Assembly's Budget and Performance Committee throughout the process.

The Mayor issued guidance in July 2016 and supplementary guidance in November 2016 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 and also covered how equalities impacts should be considered in the budget proposals.

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

- review delivery of the 2016-17 budget and to judge outcomes;
- direct the 2017-18 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.

## Assembly's Consideration of the Draft Consolidated Budget for 2016-17

The above process resulted in the Mayor presenting his Draft Consolidated Budget for 2017-18 to the Assembly's meeting on 25 January 2017. The Assembly questioned the Mayor and considered whether to approve that budget, with or without amendment. The Assembly did not agree any amendment to the Mayor's Draft Consolidated Budget for 2017–18 by a simple majority of votes cast, and as a result that budget was approved un-amended.

The final stage of the budget process involves the Assembly holding a meeting on 20 February at which the Mayor presents his Final Draft Consolidated Budget for 2017-18. The Assembly must consider the final draft budget and decide whether to approve it with or without amendment. At this stage the only amendments that can be made by the Assembly are those agreed by a two-thirds majority of votes cast (disregarding absences or abstentions).

This document addresses the contents of the Final Draft Consolidated Budget for 2017-18 presented by the Mayor.

## 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 four year period 2017-18 to 2020-21 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 2016-17. 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 business rates funding; 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. The Mayor also introduced a new private 'challenge' process whereby the integrity of each functional body's budget planning and scrutiny processes were tested prior to their submission of formal budget proposals to be included in the Mayor's Consultation Budget. Developing budget proposals have also 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 £3 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 2016-17 could result in a shortfall in the budget funding for 2017-18. 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.

Overall, on the basis of the information that has been provided to explain the Mayor’s 2017-18 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, 2016-17 monitoring, reserves and balances, council tax referendums, 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 2017-18 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 2017-18 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 allowances 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 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 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.

The Mayor intends that a new Equality Framework for the GLA Group will be published in 2017. This will go beyond the 9 protected characteristics set out in statutory public sector equality duty under section 149 of the Equality Act 2010, and will in particular consider socio-economic inequality. Each member of the Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected groups.

**Funding Allocations**

The budget consultation document "GLA Group Budget Proposals and Precepts 2017-18" 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; good relations between persons who share a relevant protected characteristic and those who do not; and the socio economic status of groups and individuals.

The Mayor's proposed Funding Allocations for 2017-18 compared with the previous year are set out in section 1 of part 2 under paragraph 1.29. 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;
- provide additional funding to MOPAC through increasing the police precept by 1.99 per cent, in accordance with Home Office expectations, and also through the allocation of £29.6 million of business rates funding to MOPAC. The council tax requirement for MOPAC has been increased in the final draft budget by £2.5 million as the aggregate council taxbase across the 33 London billing authorities for 2017-18 has increased by 2.4 per cent compared to the 2 per cent assumed in the draft consolidated budget;
- keep the resources allocated to LFEPA the same in cash terms, protecting it from the additional cuts in the former fire formula component of the GLA's Revenue Support Grant allocation (which are being rolled into the GLA's retained business rates income in 2017-18);
- provide certainty for TfL by holding council tax and business rates (revenue) funding at the same cash level as in 2016-17 and through allocating in full business rates (capital) funding replacing capital funding formerly received through Government grant; and
- reduce overall the resources to the GLA, with a small increase to LLDC and a small reduction for OPDC.

**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 the body is required to comply with the public sector equality duty and also, as directed by the Mayor, the broad proposals to be fully defined in the new Equality Framework due to be published in 2017. Any reduction in a particular service, programme or project may have a greater impact on persons who share a protected characteristic (including the question of how it will affect socio-economic inequality in London, which will be included in the new Equality Framework), 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 2017-18 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made by each constituent body 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 and the broad proposals to be covered in more detail in the new Equality Framework (and in particular impacts on socio-economic inequality). 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 and the broad proposals to be set out in detail in the new Equality Framework. An initial high level summary of the equality implications of each constituent body was set out in the budget consultation document "GLA Group Budget Proposals and Precepts 2017-18".

Also, 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; maintaining support to LFEPA to offset the impact of the additional grant cuts; providing additional support to police services through the increased police precept; holding TfL funding for revenue at 2016-17 levels and passing on in full the retained business rates for TfL capital investment replacing former Government grant; and managing the uncertainties inherent in the retained business rates system through the Mayor's Business Rates Reserve.

**Impact of increasing the council tax precept**

For 2017-18, 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.

The Mayor proposes an increase in the Band D precept paid by residents of the 32 London Boroughs from £276.00 to £280.02 – an increase of £4.02 or 1.5 per cent. This reflects the Mayor's additional funding allocated to MOPAC through an increase in the police element of the precept. The proposed 2017-18 precept for the Common Council of the City of London which is outside the Metropolitan Police district is £73.89 – the same level as in 2016-17.

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.

The GLA precept element of the council tax will increase for all individuals who pay council tax in full (although this could be compounded by increases in the billing authority element of the council tax, particularly for Adult Social Care, but dependent on each individual billing authority's council tax proposals). The additional amount payable will be dependent on the council tax banding of the council tax payer's relevant property. The £4.02 increase to the Mayor's precept applies to properties in Band D. An individual whose bill falls in Bands A to C or E to H will pay proportionately less or more respectively.

This is set out in the table overleaf:

**Adjusted amount of council tax paid by taxpayers in the 32 London boroughs (£)**

| Band | 2017-18 | 2016-17 | Change |
|---|---|---|---|
| Band A | £186.68 | £184.00 | £2.68 |
| Band B | £217.79 | £214.67 | £3.12 |
| Band C | £248.91 | £245.33 | £3.58 |
| **Band D** | **£280.02** | **£276.00** | **£4.02** |
| Band E | £342.25 | £337.33 | £4.92 |
| Band E | £404.47 | £398.67 | £5.80 |
| Band G | £466.70 | £460.00 | £6.70 |
| Band H | £560.04 | £552.00 | £8.04 |

The GLA does not have diversity data covering the population spread across the council tax bands of individuals with protected characteristics including socio-economic status. However, it can probably be assumed that individuals with lower socio-economic status are, in general, more likely to live in property that falls in the lower Bands, thus reducing the impact on such individuals of the council tax increase.

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 impact from an increase in council tax.

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 2017-18 at least four 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 29 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 2017-18 although in several boroughs working age claimants still receive up to 100 per cent support. 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. disabled people, lone parents with young children and war widows).

As a result of the localisation of council tax support it is estimated that over 430,000 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.

Those who will feel the greatest impact from the increase 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, Asian 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 increase in Council Tax marginally reduces their disposable income in both cash and real terms. However, it should be noted that the Council Tax increase is being introduced to safeguard police numbers and crime disproportionately affects those who have lower levels of income/savings.

**Impact of freezing all Transport for London fares for four years, the freezing of concessionary fares and the introduction of the 'Hopper' fare**

The budget plans include the impact of the Mayor's decision to freeze all TfL fares at 2016 levels for four years. TfL forecast that around four million journeys a day across London will benefit and that an average household will save around £200 over the next four years.

The freeze in TfL fares means that everyone buying a bus or tram ticket in London will pay no more in 2017 than they did in 2016. Pay as you go (PAYG) journeys on the Tube, DLR, Emirates Airline and rail services where TfL fares apply will be frozen. Hire and access on Santander Cycles will also be frozen.

In partnership with London Councils the Mayor has maintained all TfL travel concessions, ensuring that children, those over 60, veterans, apprentices and those on Job Seeker's Allowance continue to benefit from free or discounted travel.

In addition the Mayor introduced the 'Hopper' fare in September 2016 which has meant an end to having to pay two fares when changing bus routes within an hour.

As part of the decision making process in regards to the introduction of the fares freeze TfL identified seven groups of Londoners who typically face increased barriers to public transport use. These groups were BAME Londoners, women, older Londoners, younger Londoners, Londoners on low incomes (who tend to be women and older, BAME and disabled people, and those not in work), and LGBT Londoners. Among the key issues for these groups is the cost of fares. Londoners with protected characteristics who are likely to be affected by increases in fares, such as those on low incomes or those who rely on public transport; will especially benefit. However, the increases to Travelcard prices mandated by the train operating companies (TOCs) in line with inflation may have an adverse impact.

Many of those who comprise the seven groups above are likely to benefit from free travel concessions or discounted fares. All current concessionary fare schemes are being maintained in order to keep public transport accessible to people who face barriers to public transport use, and thereby offset or mitigate any detrimental impacts.

## 3. Advice on 2016-17 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.

Part 2 sets out the forecast outturn for each functional body for 2016-17 although it should be noted that these figures are likely to change before the end of the year.

### Conclusion

An assessment of the current year's financial outturn is an important 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 2017 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 2017-18. 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 2017-18. The impact of the pilot 100% business rates retention in London (which sees the GLA's share of retained business rates increase from 20% to 37%), the effect of the 2017 business rates revaluation and the upside and downside risks associated with council tax income is being closely monitored. This will help ensure that volatility in the level of business rates retained by the GLA and in council tax income can be effectively dealt with and also ensure that the Mayor's priorities can be implemented.

#### General reserves

At 31 March 2017 the GLA's general reserves balance is forecast to total £10.0 million. This balance is assumed at this stage to remain constant through to the end of 2020-21. The GLA's current policy is to maintain a minimum general reserve balance of £10 million, and therefore on this basis £48.6 million will be released at the end of 2016-17. However, given the need for future capital investment as demonstrated by the Mayor's priorities for affordable housing, energy, environment, etc., a new capital reserve will be created from funds released (after taking into account amounts which may be necessary for other specific purposes).

#### Earmarked reserves

The 2015-16 closing usable earmarked reserves balance (including the Mayoral Development Corporation reserve but excluding the Business Rates Reserve) was £185.7 million and is forecast to increase by £20.0 million so that the balance as at 31 March 2018 is forecast to be £205.7 million. This reflects the creation of the GLA capital reserve (which is forecast to have a balance of £67.9 million) and the release of £0.5 million from the Assembly Development and Resettlement Reserve.

The forecast position includes provisions held to support LLDC and OPDC expenditure. This represents a prudent level of reserves held to support LLDC and OPDC 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 2017-18 (see subsection (f) below) and for OPDC to hold no reserves.

#### Business Rates Reserve

The balance on the Business Rates Reserve is forecast to be £188.2 million at the close of 2017-18. The Business Rates Reserve is used to manage business rates income risk. Balances on the reserve reflect forecast business rates income as well as the allocation of council tax collection fund surpluses.

#### GLA 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 volatility of 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 £1.3 million as at 1 April 2017, 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 as at 31 March 2017. Current proposals are that this position will be maintained at the end of 2020-21. These reserves represent in excess of 1.5 percent of the forecast outturn net revenue expenditure in 2017-18; and the following years' balances represent in excess of 1.5 per cent in each year respectively. This is in accordance 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 £145.8 million at the end of 2016-17 to £64.0 million at the end of 2017-18 and to be reduced further to £31.3 million at the end of 2020-21. This reduction reflects the Mayor's review of MPS's transformation strategy as described in Part I.

#### MOPAC conclusion

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

### (d) London Fire and Emergency Planning Authority

LFEPA's general reserves at 31 March 2017 are forecast to be £17.8 million. They are assumed to remain at the same level by the end of 2017-18 and through to the end of 2020-21.

LFEPA also forecasts that it will have £14.2 million of earmarked reserves at 31 March 2017, increasing to £17.0 million at the end of 2017-18. By the end of 2020-21 this is expected to decrease to £11.1 million. 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 £250 million 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 2016-17 to the end of 2020-21.

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 available 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 £1.28 billion at 31 March 2016 to £632.8 million at the end of 2017-18, decreasing to £336.7 million by the end of 2018-19, but increasing to £354.6 million by the end of 2019-20 and to £477.4 million by the end of 2020-21.

**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 2017 LLDC’s general reserves balance is expected to total £6.3 million. The general reserve balance is forecast to be used in full during 2017-18 and remain at nil through to the end of 2020-21. LLDC holds no earmarked reserves.

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 2017-18.

Although LLDC’s general reserves balances are forecast to be utilised in full by the end of 2017-18, 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 latter through a rolling loan facility which is anticipated to be repaid through surplus capital receipts from the sale of development land. 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 noting the support of the GLA as set out 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

OPDC has no reserves. A contingency of £2 million is held in the GLA's reserves by the Mayor in part to support a 'self-funding' proposal to be developed by OPDC. This is part of the earmarked Mayoral Development Corporation (MDC) Reserve held by the Mayor.

**OPDC conclusion**

The Chief Financial Officer of OPDC, having taking into account the fact that the OPDC is still in the early stages of its establishment and that it is has potential access to the Mayor's MDC reserve, 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 2021 is summarised in the table below.

| | GLA £m | MOPAC £m | LFEPA £m | TfL £m | LLDC £m | OPDC £m | Total |
|---|---|---|---|---|---|---|---|
| **Opening balances 1 April 2016** | **440.7** | **296.6** | **33.0** | **1,425.1** | **12.4** | **0.0** | **2,207.8** |
| Movement on Earmarked reserves | -68.1 | -104.2 | -4.8 | -112.4 | 0.0 | 0.0 | -289.5 |
| Movement on General reserves | -48.6 | 0.0 | 3.8 | 0.0 | -6.1 | 0.0 | -50.9 |
| **Balances 31 March 2017** | **324.0** | **192.4** | **32.0** | **1,312.7** | **6.3** | **0.0** | **1,867.4** |
| Movement on Earmarked reserves | 79.9 | -81.8 | 2.8 | -529.9 | 0.0 | 0.0 | -529.0 |
| Movement on General reserves | 0.0 | 0.0 | 0.0 | 0.0 | -6.3 | 0.0 | -6.3 |
| **Balances 31 March 2018** | **403.9** | **110.6** | **34.8** | **782.8** | **0.0** | **0.0** | **1,332.1** |
| Movement on Earmarked reserves | 0.3 | -21.7 | 3.3 | -296.1 | 0.0 | 0.0 | -314.2 |
| Movement on General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Balances 31 March 2019** | **404.2** | **88.9** | **38.1** | **486.7** | **0.0** | **0.0** | **1,017.9** |
| Movement on Earmarked reserves | -5.9 | -25.3 | -7.6 | 17.9 | 0.0 | 0.0 | -20.9 |
| Movement on General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Balances 31 March 2020** | **398.3** | **63.6** | **30.5** | **504.6** | **0.0** | **0.0** | **997.0** |
| Movement on Earmarked reserves | -14.5 | 14.4 | -1.6 | 122.8 | 0.0 | 0.0 | 121.1 |
| Movement on General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Balances 31 March 2021** | **383.9** | **78.0** | **28.9** | **627.4** | **0.0** | **0.0** | **1,118.1** |

There are reductions in the reserves of virtually all of the functional bodies. This results in a net overall reduction of just under £1.1 billion from April 2016 to March 2021 reflecting the planned use of earmarked reserves. Of the forecast balance on reserves of £1.9 billion at 31 March 2017, around £224.4 million is held in general reserves – including £150 million for TfL.

Only the GLA and LLDC have made explicit contingency provisions in 2017-18; 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 2017-18 and onwards.

## 5. Advice on council tax referendums

### What are the rules on council tax referendums?

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 B and 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.

On 15 December the Government published the draft regulations setting out the council tax referendum thresholds for 2017-18 – the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2017-18.' On the basis of these principles 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. Parliament is expected to approve the final regulations alongside the Local Government Finance report on 22 February 2017.

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 2017-18.

The unadjusted basic amount of council tax proposed by the Mayor for 2017-18 in his draft budget is £73.89 – which applies to council tax payers in the City of London. This is the same amount as in 2016-17.

The adjusted basic amount of council tax proposed is £280.02 for a Band D property (i.e. £206.13 for the Metropolitan Police plus £73.89 for non police services) – this applies to taxpayers in the 32 London boroughs. This is £4.02 or 1.5 per cent higher than the corresponding figure for 2016-17 of £276.00.

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 2017-18 (i.e. £281.51 – 1 pence lower than the figure resulting from a 2 per cent increase on the adjusted amount for 2016-17 of £276.00 and £75.36 – 1 pence lower than the figure resulting from a 2 per cent increase on the unadjusted amount for 2016-17 of £73.89).

In practice this means – on the basis of the final 2017-18 council taxbase figures – that a referendum could be triggered if the council tax requirement for non-police services exceeded £216,976,853 – a non police precept of £75.36 - and/or the combined council tax requirement for police and non police services (applying elsewhere in Greater London) exceeded £809,069,367 – a total Band D precept of £281.51 comprising the maximum non police precept of £75.36 and a revised police precept of £206.15.

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 £75.36 (in the area of the City of London) and/or an adjusted council tax of £281.51 (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 publish and confirm the council tax referendum thresholds and the associated secondary legislation after this document has been despatched. Further advice will be supplied to the Mayor and the Assembly as appropriate.

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.

## 6. 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 2017-18 the Mayor and the Assembly should have regard not just to the in-year funding position for 2017-18 but the expectation that overall resources to the GLA Group will continue to decline.

## 7. 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.

### 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 2017-18 for the Mayor is **greater than** the Council Tax Requirement for 2016-17 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 2017-18 for the Mayor is **less than** the Council Tax Requirement for 2016-17 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 2016-17;
- 'New' Mayor will be the Mayor's proposed Council Tax Requirement for the Mayor for 2017-18 after any adjustments made; and
- The percentage change in the Mayor's Council Tax Requirement from 2016-17 is calculated using these amounts.

The Assembly's Council Tax Requirement for 2016-17 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 are no adjustments he requires to facilitate a like for like comparison.

### Can the Assembly amend the Mayor's council tax requirement for the Assembly?

Using the Act's methodology and applying it to the final draft Council Tax requirement figures, the Assembly could amend their own council tax requirement so that it would increase by an amount equal to 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 £2.832 million. Any such decision by the Assembly would need to be mindful of the advice on Council Tax referenda, set out at section 5 of this document.

This is explained in the table below.

| Mayor's Budget: Calculation of NM and OM | £m |
|---|---|
| Proposed council tax requirement for the Mayor for 2017-18 | 65.891 |
| **Deduct:** Nil | -0.000 |
| **Add:** Nil | 0.000 |
| **NM** (Mayor's adjusted council tax requirement for 2017-18) | **65.891** |
| **Deduct:** OM (notional Mayor's council tax requirement for 2016-17) | 60.833 |
| **Add:** Nil | 0.000 |
| **Deduct:** Nil | 0.000 |
| **OM** (notional Mayor's council tax requirement for 2016-17) | **60.833** |
| **Amount NM is greater than OM** council tax **requirement** | **5.058** |
| **Percentage Increase** | **8.31%** |

| Assembly Budget: adjusted previous component Council Tax Requirement | £m |
|---|---|
| Notional component Council Tax requirement for the Assembly for 2016-17 | 2.615 |
| **Add:** Percentage change in NM compared with OM | 0.217 |
| **Adjusted previous component Council Tax requirement** | **2.832** |

## 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 GLA's 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 at least 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. These are detailed in Section 4 below.

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.

1.5. The Policing and Crime Act which received Royal Assent on 31 January 2017 abolishes the London Fire and Emergency Planning Authority (LFEPA) and establishes the London Fire Commissioner (LFC) as a corporate body. The Home Office has now confirmed that its intention is for LFEPA's last day of operation to be 30 September 2017 with the new governance arrangements to commence on 1 October 2017. Exact transitional arrangements are to be determined. The Mayor has set a budget for LFEPA for 2017-18 which will be adopted by the LFC.

### 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 Mayor's Office for Policing and Crime (MOPAC), Transport for London (TfL), the London Fire and Emergency Planning Authority (LFEPA), 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 20 December included, for the purposes of consultation, the draft of the Mayor's capital spending plan for 2017-18.

2.3. Before 28 February the plan has to be sent to the Secretary of State (in practice, the Department for Communities and Local Government - 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. The council tax requirement process

### 3.1. Component and consolidated council tax requirements

The Mayor must calculate council tax requirements for the Mayor, the Assembly, and the five functional bodies. 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).

### 3.2. Procedure for determining the council tax requirements

The determination of the component and consolidated council tax requirements took place between December 2016, following the publication of the government's provisional financial settlement, and the end of February 2017, 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 2017-18 compared to 2016-17 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.

This year the House of Commons is expected to be asked to approve the Excessiveness Principles on the 22 February 2017, after the Assembly's final budget meeting on 20 February 2017. These budget reports have been prepared on the basis that the Government's proposed principles are approved. In addition Part I of the budget papers includes a determination that the Mayor's proposed relevant basic amounts of Council Tax (both for the City and for the 32 boroughs) are not excessive under those principles.

### 3.3. Consideration of and approval of the budget

The draft consolidated budget for 2017-18 was required to be presented to the Assembly at a public meeting on or before 15 February 2017, as specified by the Greater London Authority (Consolidated Council Tax Requirement Procedure) Regulations 2016. This meeting took place on 25 January 2017.

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

The Mayor did present the draft consolidated budget to the Assembly on 25 January 2017, and the Assembly was required to 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 would be 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 extended 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 approved the draft budget on 25 January without amendment.

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. 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)).

### 3.4. Scope of Assembly's amendment powers

The Mayor must present the final draft budget to the Assembly and publish it before the last day of February. This final draft budget is being presented to the Assembly on 20 February. If the Assembly approved the draft consolidated budget with amendments, but the Mayor does not accept 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)). No such amendments were approved at the meeting on 25 January so this scenario does not apply.

The functional bodies' component budgets in the final draft budget submitted to the Assembly's final budget meeting are not the same as those in the draft budget previously considered on 25 January. The changes reflect the amount of additional revenue available resulting from the council tax and business rates forecasts submitted by the billing authorities in January 2017 and also various updated budget assumptions reflecting latest forecasts by the functional bodies. The Mayor's statement of the changes and the reasons for the changes are detailed in Part I of the final draft budget.

If the proposed final draft budget would give rise to an increase in the council tax (the unadjusted - City - and/ or adjusted – London apart from the City – relevant basic 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. This area is covered in Section 5 above.

<u>What is the Assembly's power of amendment?</u>

The Assembly's power to amend the final 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 the 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). This area is covered in Section 5 above.

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 (which in any event is subject to the rules on excessiveness and council tax referenda – see section 5 above); where the Mayor's component council tax requirement has reduced, the Assembly's component council tax requirement is to be reduced by at least 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). This should not apply as the Mayor is presenting his draft consolidated budget to the Assembly on 20 February.

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).

### 3.5. 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).

### 3.6. 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, and the Secretary of State is satisfied that it is necessary for the safety of metropolitan police district residents, then the Secretary of State may 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).

## 4. Sources of revenue

### 4.1. 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 (each of which is "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 (i.e. the Metropolitan Police), 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).

### 4.2. 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 1992 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 1992 (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.

### 4.3. 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), 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 this discretion is not expected to be exercised for 2017-18.

### 4.4. 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. Regulations are expected to be brought forward before 1 April 2017 to increase the GLA's retained share of business rates from 20 per cent in 2016-17 to 37 per cent in 2017-18.

The GLA is forecast to receive around £3.02 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 £720.2 million, reflecting the impact of the 2017 revaluation and the increase in its business rates share from 20 to 37 per cent and an estimated levy payment of £33.5 million in 2017-18. 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.

### 4.5. 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.

### 4.6. 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).

### 4.7. 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).

The Mayor published the final policies for the Crossrail BRS for 2017-18 on 2 February.  The rateable value threshold for the BRS will be increased from the current £55,000 to £70,000 which will mean that 85 per cent of non domestic premises in London will not be liable to pay the supplement in 2017-18.  The revenue from the BRS is forecast to increase by £51.3 million to £275.8 million in 2017-18 and this income will be used to finance the GLA's outstanding £3.3 billion of Crossrail related debt