

Mayor's Background Statement in support of his Draft Consolidated Budget for 2012-13

Summary

This report presents the Mayor's Budget proposals for the Greater London Authority (GLA) and the functional bodies for the next financial year. The Budget is still in draft form and will be changed before being presented to the Assembly on 9 February as the Mayor's final Budget.

1 Introduction

- 1.1 The budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act").
- 1.2 The budget process for 2012-13 and beyond differs from previous years as a result of amendments made requiring the calculation of council tax requirements rather than budget requirements. However, the term budget requirement no longer has any formal legal status following the amendments made to the GLA Act in the Localism Act 2011. The 'Localism Act 2011 (Commencement No. 1 and Transitional Provisions) Order 2011' has brought the sections that relate specifically to the setting of local authority budgets into force.
- 1.3 The Mayor will for 2012-13 onwards be required to determine consolidated and component council tax requirements and it is these that the Assembly now has the power to amend. The council tax requirements are equivalent to the former budget requirement net of general government grants (GLA General grant, formula grant and Home Office police grant). The individual Mayor, Assembly and functional body council tax requirements are consolidated to form the consolidated council tax requirement for the GLA Group. The previous regime of capping has been abolished and details of the new arrangements for Council Tax referenda 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.
- 1.4 Although the GLA is now required to calculate component and consolidated council tax requirements it still remains the duty of the Mayor and the Assembly to prepare and approve for each financial year a budget for each of the constituent bodies (a component budget) and a 'consolidated budget' for the Authority. However, the legislation now defines a component budget as consisting of a statement of the amount of component council tax requirements for the constituent body concerned and the calculations under the relevant section of the GLA Act which give rise to this amount. Also, a consolidated budget must consist of statements of the amount of the Authority's consolidated council tax requirement, the amount of the component council tax requirements for each constituent body and the calculations under the relevant section of the GLA Act which give rise to each of these amounts.

Draft Consolidated Budget for 2012-13

- 1.5 A summarised version of the budget setting process is, as follows:
- (a) The Mayor must prepare for each financial year a budget for each of the constituent bodies and a consolidated budget for the GLA and the functional bodies as a whole (the Authority's consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies;
 - (b) Before arriving at the final budget, a draft of the budget for each component body will be the subject of consultation with the relevant body and the Assembly respectively. This has been done (see paragraph 3.1);
 - (c) After preparation of those drafts, and on or before 1 February, the Mayor is required to prepare a draft of his proposed consolidated budget for consultation with the Assembly. The Assembly had resolved that the Mayor should consult its Budget and Performance Committee. Such consultation occurred and the Committee considered that document on 5 and 10 January. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This also occurred (see paragraph 3.1).
 - (d) Following consultation, the Mayor determines the draft consolidated budget, publishes it and presents it to the Assembly at a public meeting. The draft consolidated budget that has been determined is attached to this statement and the Assembly must approve this budget (with the draft component budgets comprised in it) with or without amendment.
 - (e) After the draft consolidated budget has been approved, with or without amendment, the Mayor will prepare and publish a final draft of his proposed consolidated budget for the next financial year. If the final draft budget to the Assembly 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. The resulting budget will be the approved consolidated budget for the financial year 2012-13.
- 1.6 Consequently, the Assembly must approve the draft consolidated budget presented as attached with or without amendment. If no amendments are made, the draft consolidated budget shall be deemed to be approved.

2 Documentation

- 2.1 Annex A to this statement presents the Mayor's draft consolidated budget as defined in the GLA Act. This reflects the impact of the changes to the structure of the GLA group introduced in the Localism Act 2011 and the Police Reform and Social Responsibility Act 2011 including:
- The devolution of powers over housing investment in London from the Homes and Communities Agency to the GLA;

- The abolition of the LDA with its city-wide roles on regeneration and management of European funding to be transferred to the GLA;
- New powers for the Mayor of London to establish Mayoral Development Corporations; and
- The creation of the Mayor's Office for Policing and Crime (MOPC) in place of the Metropolitan Police Authority from 16 January 2012.

- 2.2 As the Olympic Park Legacy Company is not a functional body of the GLA (although the Mayoral Development Corporation which is scheduled to take over many of the OPLC's functions will be) OPLC's budget does not form part of the statutory calculations set out in Annex A. It is presented for information only and may not be amended. This is because OPLC's budget is determined by the existing OPLC board and not by the GLA under sections 85 to 89 of the GLA Act. The notional calculation is presented in Annex A – after the statutory calculation – for illustrative purposes only. However, the GLA's draft budget, which includes the GLA's contribution to the OPLC, may be amended by proposing changes to the statutory calculation of the GLA's draft component budget calculations at Annex A.
- 2.3 A separate accompanying document (Part II of the Budget) provides an explanation of the budget proposals. This is in the same format as the consultation paper summarising the draft budget and its precept requirement which was published on 21 December 2011. The last appendix to that document lists the changes that have been made to the consultation paper.
- 2.4 Another separate accompanying document (Part III of the Budget) provides financial and legal advice to the Mayor and Assembly, and this includes separate advice on the setting of the Assembly component budget.

3 Consultation Process and Responses

- 3.1 In addition to consulting the Assembly and the constituent functional bodies, in preparing his draft budget the Mayor must consult other bodies and may consult others as appear to him appropriate. The Mayor issued draft component budget proposals to each functional body in October 2011 for consultation that they were invited to respond to by 19 November 2011. The budget consultation paper issued on 21 December has been widely circulated to each functional body, London borough councils, the Common Council of the City of London, London Councils and a wide range of business and representative organisations. It was also placed on the Greater London Authority website, enabling members of the public to make their comments. A summary of the responses and copies of all responses received are being made available to Assembly Members concurrently with this Budget.

4 The Mayor's Approach to Decision Making

- 4.1 The Mayor has a number of statutory functions that must be fulfilled on behalf of Londoners and reflected in a financially balanced budget. These include the existing very major responsibilities in respect of policing, transport, fire and emergency planning and regeneration of land use/planning, housing, adult skills, planning, waste, culture and sport, health, sustainable development, energy and climate change. From 2012-13 the Mayor also has a number of new and additional responsibilities on housing, economic regeneration, policing and Mayoral Development Corporations.

Draft Consolidated Budget for 2012-13

- 4.2 The Mayor also has a number of discretionary functions, in particular a general power to do anything to further the principal purposes of the Authority, i.e. promoting economic development and wealth creation, social development and the improvement of the environment in Greater London. In the exercise of his functions the Mayor also has to have regard to the need to promote equality of opportunity for all people irrespective of their race, sex, disability, age, sexual orientation or religion.
- 4.3 To help fulfil these functions and responsibilities, but subject to the information available on future grant settlements, the budget development process is a key element of the planning framework and has an important purpose of ensuring there are sound medium term financial plans within which all Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will inevitably exist. This means ensuring that the estimates of income and expenditure (including appropriate consideration of the effects of inflation), Government funding and council tax are soundly based, with appropriate and sufficient reserves, paying due regard to professional and statutory guidance. This is reinforced by the Local Government Act 2003 which requires the Authority's Chief Finance Officer to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves.
- 4.4 A primary aim of the budget process is to provide a financially balanced budget, as a basis for an efficient and effective use of available resources. The aim is to secure a fair and reasonable balance between the discharge of obligatory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost.
- 4.5 This approach was reflected in the Mayor's guidance for the preparation of budget submissions for 2012-13 and future plans which was issued to the GLA Group in May 2011. It has also been supplemented through a series of meetings with the functional bodies and GLA officers to ensure the guidance remains valid and responsive to emerging needs and changing circumstances. The functional bodies and the Assembly's Budget and Performance Committee have also played a major role in the preparation and scrutiny of budget proposals.

5 Economic Context and Finance Settlement

- 5.1 During 2008-09 London and the UK went through a deep recession and since then there has been a slow and lethargic recovery. The economic environment is likely to be tough in 2012, with high job insecurity and relatively low wage increases alongside the background of the ongoing sovereign debt crisis in much of the Eurozone. GLA Economics' autumn 2011 forecast is for London's economy to grow by 2.0 per cent in 2012 and by 2.4 per cent in 2013. Employment in London is forecast to grow by 0.4 per cent in both 2012 and 2013. Due to the impact of events in the Eurozone the risks to the forecast are mainly on the downside.
- 5.2 London's labour market deteriorated during the recession but showed some degree of recovery over 2010, before weakening again during 2011. Latest figures (December 2011) showed an increase in London's unemployment with a more mixed picture on London's employment. London's unemployment rate increased by 0.3 percentage points in the quarter to October 2011 to 9.9 per cent and was up by 0.9 percentage points on a year earlier.

- 5.3 The UK went into the 2008-2009 recession with a substantial structural budget deficit and public sector net borrowing had been increasing for most of the last decade. Government spending increased from 36 per cent of GDP in 1999-2000 to 41 per cent of GDP in 2007-08. In 2010-11 the budget deficit stood at 9 per cent of GDP, down from 11 per cent in 2009-10 and it is projected to be 8 per cent in 2011-12. The budget deficit is then projected to fall further and reach 1 per cent of GDP by 2016-17.
- 5.4 A key factor in determining the GLA's financial position is Government grant funding – which is clearly influenced by the wider economy and the fiscal position of the UK Government. Although the GLA's Government grant income will fall over the Comprehensive Spending Review (CSR) period, London's local government has done better relatively than the rest of England receiving the lowest percentage reduction in formula grant funding of any region in the 2011-12 and 2012-13 local government finance settlements. Transport for London's settlement to 2014-15 allows Crossrail and the Tube upgrade to proceed and provides TfL with a robust basis for its forward planning. The GLA has now agreed a settlement with the Government for 2012-13 in respect of its new responsibilities and agreed a basis for managing the residual Olympic land debt and assets as well as those of the HCA and London Thames Gateway Development Corporation being transferred to the Mayor.
- 5.5 Even after the reductions in grant that have been announced the GLA Group will receive some £6.2 billion in Government grants in 2012-13. The funding settlements for each functional body in respect of their core revenue grant funding in 2012-13 can be summarised as follows:
- LFEPA will see a 0.2 per cent increase in its formula grant in 2012-13;
 - MOPC has a decrease of 6.7 per cent in its general grant (Home Office police grant and DCLG formula grant) in 2012-13;
 - GLA will see a decrease on a like for like basis in 2012-13 in line with the profiled reductions for local authorities; and
 - The GLA Transport Grant for TfL is £3.3bn – in line with its CSR settlement adjusted for additional funding it will receive to reduce the fares increase for 2012 to RPI+0.6 per cent compared to the planning target of RPI + 2 per cent.

6 The Mayor's Budget Proposals

Consolidated Council Tax Requirement

- 6.1 On 21 December 2011 the Mayor commenced consultation on the budget for 2012-13. More detail is contained in the accompanying explanatory document (Part II of the Budget) and in the reports relating to draft budget and business plan proposals considered by the functional bodies and the Assembly's Budget and Performance Committee during the course of the year.
- 6.2 The Mayor's overall proposed consolidated council tax requirement has not changed from the Budget Consultation Document. There will be a marginal change in relation to the police and non police apportionment of the precept to reflect the impact of forecast collection fund surplus or deficit and final council tax base information from the 32 London boroughs and the Corporation of London. These are not due to be received from London boroughs until 25 and 31 January respectively. The council tax requirement for 2012-13 is the same as in 2011-12 at this stage albeit there has been an adjustment to the precept shares between functional bodies.

Draft Consolidated Budget for 2012-13

- 6.3 The Mayor's financial planning guidelines in his budget guidance reflected the nature and specific circumstances of each member of the GLA Group. Keeping the overall level of the council tax precept unchanged has meant that changes in the component amounts for each functional body are not uniform, reflecting their different funding settlements from Government.
- 6.4 Savings in the functions and activities of the Metropolitan Police Service and London's Fire Service have been sought that do not impair the delivery of front line services. Whilst continuing to make savings, the GLA budget has sought to sustain functions previously funded by the LDA and the HCA, together with ensuring the Olympic legacy is secure. TfL's budget proposals for 2012-13 reflect the funding settlement with Government, which protects key investment in Crossrail and the Tube.

Mayor of London

- 6.5 Except for activities prescribed by the GLA Act as falling within the component budget for the London Assembly, the budget for the Mayor of London covers all of the GLA activities.
- 6.6 As a result of the amendments made by the Localism Act the GLA will be required to determine a separate council tax requirement for both the Mayor and the Assembly from 2012-13 onwards. This means that the GLA's general grant funding – which is currently deducted from the budget requirement to generate the aggregate GLA council tax figure – must be apportioned between the Mayor and Assembly. The combined council tax requirement for the GLA for 2012-13 is £89.7 million, comprising £87.1 million for the Mayor and £2.6 million for the Assembly. The methodology used to calculate this is set out in Part II of the Budget.
- 6.7 The budget includes £60.4 million for the 2012-13 council tax contribution to support the cost of delivering the infrastructure and preparing for the 2012 Olympic Games and the Paralympic Games although the final sum is dependent on the final council tax base data to be supplied by boroughs. £36.3 million of this will be applied directly to the GLA's City Operations preparations. The budget also includes £6.8 million for a programme focused on capturing the employment and skills benefits of the Games for London; £5 million as the GLA's contribution to the running costs of the Olympic Park Legacy Company; and £15 million for the costs of financing outstanding LDA Olympic debt of £349 million which will transfer to the GLA on 1 April 2012.
- 6.8 The Government expects the GLA, as part of its Settlement to reduce and restructure its net non-Crossrail debt (that it will inherit from the LDA) over the spending review period, thus contributing to national deficit reduction plans. Accordingly, the Mayor is earmarking funding that the GLA will receive, including the Council Tax freeze grant in 2012-13, to repay and restructure debt.
- 6.9 The GLA will also spend £1.9 million on core staffing and programmes in 2012-13 towards preparations for the Games and delivery of a legacy of lasting benefits. The functional bodies are also all making vital contributions to the success of the Games. The Mayor will not ask Londoners to pay any more for the Games other than the existing amount of 38p a week for a typical Band D household, fulfilling his Manifesto pledge.

- 6.10 The budget includes interest costs of £101million in 2012-13 for borrowing to support the GLA's £4.1 billion contribution to Crossrail. These interest costs are met by the Business Rate Supplement levied on large businesses. These costs are distinct from TfL's financing costs in respect of its contribution to Crossrail. The rateable value threshold for the BRS ensures that more than four out of five non domestic ratepayers in London are exempt from paying the supplement. The intention is that by 31 March 2013 the GLA would have raised £2.2 billion of its £3.5 billion borrowing for Crossrail. The proposed community infrastructure levy (CIL) on most new developments in London to finance Crossrail is scheduled to be introduced from 2012-13, subject to formal approval by the Mayor. It is estimated that the CIL will raise up to £300 million to finance the project although at this stage it is not possible to predict with certainty the revenues likely to be raised in its first year.
- 6.11 A key issue for this year's budget is the impact of the devolution agenda enshrined in the Localism Act 2011. The Act, which received Royal Assent in November 2011, transfers the Homes and Community Agency's (HCA) London operations and London Development Agency (LDA) functions to the Greater London Authority (GLA) from a date to be appointed but which is expected to be 1 April 2012.
- 6.12 As a consequence of these changes, total GLA core spending over the three year period from 2012-13 to 2014-15 (that is, the remainder of the current Spending Review period) is expected to exceed £5.6 billion (including Crossrail contributions). This additional level of core expenditure includes, in the order of: £2.7 billion of capital and revenue expenditure relating to its financial contribution to Crossrail; £2 billion of housing capital expenditure programmes, £200m on former and new economic regeneration programmes, £180m relating to the Olympic funding agreement financed through the Olympic precept with the remainder relating to other GLA activities and programmes.
- 6.13 The Elections reserve remains the most significant of the Authority's earmarked reserves, with an estimated balance of £13.1 million available in April 2012 reducing to £5.2 million by March 2013 reflecting the drawdown of revenues to fund the 2012 GLA elections. The Elections reserve is thereafter increased by up to £5 million a year so that an estimated £20 million is available for the next Mayor and Assembly elections in 2016.

London Assembly

- 6.14 The budget for the Assembly reflects its current staffing establishment, approved levels of Member and group support and approved policies, including new responsibilities on policing. It includes annual savings of £0.3 million in 2012-13. These savings have enabled the proposed budget (gross of GLA general grant) for the Assembly to be reduced to £7.7 million in 2012-13. Its council tax requirement – net of its apportioned share of the provisional GLA general grant – is estimated at £2.6m.

Mayor's Office for Policing and Crime (MOPC)

- 6.15 The Mayor's first responsibility is to make London safer and this Budget protects the Metropolitan Police Service's (MPS's) operational capability. The Commissioner of the MPS is committed to Total Policing – a total war on crime, total care for victims and total professionalism of the force. The Mayor is committed to maintaining police officer numbers at or around existing levels. At the end of this Mayoral term there will be nearly 1,000 more officers than at the beginning of the term.

Draft Consolidated Budget for 2012-13

- 6.16 The Budget Consultation Document in December 2011 set out a draft budget for the Metropolitan Police Authority (MPA). The Mayor's Office for Policing and Crime (MOPC) came into existence on 16 January 2012 and the 2012-13 Budget will be set for the MOPC.
- 6.17 The Budget Consultation Document set out that the MPA, had a budget shortfall for 2012-13 of £85.5 million. Following negotiations, the Mayor anticipates that this shortfall will be fully covered by additional grant from the Government for policing. Formal confirmation has yet to be received and therefore the MPA / MOPC's budget proposals within the Budget Consultation Document have not been updated for this grant. Work continues at the MOPC to develop further savings options and to respond to emerging financial pressures. Full details of the additional grant and any changes to the detail of the MOPC's spending plans will be set out in the Mayor's final draft budget to be published on 1 February.
- 6.18 The draft consolidated budget confirms that £1.8m in 2012-13 is to be transferred to the MOPC from the GLA in respect of its community safety functions and programmes. This reflects the Assembly's new responsibilities for scrutinising the MOPC.
- 6.19 Part II of the Budget gives latest information on the costs of the August disturbances and progress on such costs being reimbursed by the Government. To the extent that any costs of the disturbances fall to the MOPC, there will be a loss of financial flexibility in dealing with future years' budget gaps.

London Fire and Emergency Planning Authority

- 6.20 LFEPA has achieved significant fire reduction improvements through the strategies in its London Safety Plan. This budget ensures that LFEPA is able to continue to deliver the Authority's priorities in the Safety Plan. London's fire and rescue services have made significant back office efficiencies to ensure that their front-line services are maintained and improved to drive down further deaths and injuries from fire incidents.
- 6.21 Having considered the needs of the fire service against the delivery of the Mayor's wider priorities, the Mayor is aligning LFEPA's reserves position closer to its target level. Therefore, £30m of the Authority's general reserves are to be drawn down to support its budget. However, after this adjustment, LFEPA's general reserves are still above the minimum target set, its earmarked reserves are significant and their 2012-13 budget allows a key invest to save scheme to proceed.

Transport for London

- 6.22 The Budget ensures that the Tube upgrade and Crossrail will be delivered, which will lead to London's rail network capacity increasing by 10 per cent. The South London line extension from Dalston to Clapham Junction via Surrey Quays will also be delivered. The bus network will be maintained and a new iconic bus for London introduced. A Cable Car across the Thames linking the Greenwich peninsula with the Royal Docks will be built and London will become a genuinely cycle-friendly city by building on the success of the Barclays Cycle Hire scheme.

- 6.23 Fares are being held down as much as possible while maintaining neo-Victorian levels of investment in our transport infrastructure, so our Capital can emerge from the current economic difficulties more competitive than ever. In partnership with the London Boroughs, all existing free and concessionary travel schemes, including the 24 hour Freedom Pass for older and disabled Londoners have been protected.
- 6.24 The TfL budget includes fares on TfL's services for 2012 rising by just above inflation, 5.6 per cent on average, after the Mayor secured £136 million in extra grant from the Government. TfL's Business Plan is clear that the operating surplus it plans to make each year is committed to financing TfL's Capital Programme, including line upgrades to the Tube.

Olympic Park Legacy Company

- 6.25 The Olympic Park Legacy Company (OPLC) is responsible for the legacy development and management of the Queen Elizabeth Olympic Park (QEOP) and venues in line with the London Plan's legacy objective. The OPLC is responsible for London's single most important regeneration project for the next 25 years.
- 6.26 The Mayor has proposed to establish a Mayoral Development Corporation (MDC) to take over the OPLC's responsibilities (although there is expected to be a period in which the two organisations co-exist). Unlike the Legacy Company, the MDC will be a functional body within the GLA Group. For purposes of preparing the MDC's budgets and associated material for 2012-13 and beyond, the OPLC has been working in the role of shadow MDC in close collaboration with the GLA.

Future Years

- 6.27 The Mayor has issued further details of the prospects for the GLA Group for future years (section 8 of Part II the budget). It is important to recognise the caveats and limitations of this analysis, in particular the impact of the Government's proposals for the retention of business rates.

7 The Impact on Local Taxpayers

- 7.1 In deciding on the proposed spending plans across the GLA group of £14.4 billion gross the key priorities have been to maintain key front-line services and ensure that the Council Tax Precept remains frozen, as it has done throughout this Mayor's administration. At the end of 2012-13, the precept will have fallen in real terms by some 12 per cent since May 2008.
- 7.2 The maintenance of key front-line services whilst freezing the precept has been largely achieved by the Mayor making savings and efficiencies of some £2 billion in the 2009-10 to 2011-12 financial years with a further £1.5 billion proposed for 2012-13. The GLA will also receive a Council Tax Freeze grant of £23.4 million for the next three years as a result of the decision to freeze the GLA precept in 2011-12 and a further one off payment of £27.7 million as a result of the proposed freeze for 2012-13.
- 7.3 Subject to certain financial information being confirmed, the Mayor's budget requires a Band D Council Tax of £309.82 for 2012-13 in the London boroughs, and £73.92 in the area of the Common Council of the City of London. This is provisionally estimated to generate £934.8m.

Draft Consolidated Budget for 2012-13

- 7.4 The changes in components of the precept are shown below with an increase in share for policing financed largely from LFEPA.

Percentage Change in precept	Change in Band D precept (%)
Mayor's Office for Policing and Crime	+3.5%
London Fire and Emergency Planning Authority	-19.0%
Greater London Authority	-2.2%
Transport for London	-
Collection fund – council tax collection surplus/deficit	TBC
Total band D change	Nil

Capital Spending

- 7.5 The Mayor published his Draft Capital Spending Plan for consultation on 21 December 2011. Proposed capital spending across the Group totals £5.2 billion, the largest element being GLA and TfL's contributions to Crossrail. The estimated capital financing costs of this Capital Programme are £479 million in 2012-13. Details are set out in section 10 of Part II to the draft budget. The proposed programme of capital spending is reflected fully in these budget proposals.

Council Tax Referendums and Council Tax Capping

- 7.6 The Localism Act 2011 also replaces the current system of council tax capping with arrangements for council tax referendums. These changes require the Mayor – and local authorities in general – to hold referendums to approve their proposed council tax increases where these exceed a threshold set by Parliament. The council tax increase above which the Mayor would be required to hold a referendum in 2012-13 on the basis of the Government's provisional principles is, 4 per cent in line with the threshold nationally for police and single purpose fire authorities. The corresponding threshold for London boroughs is 3.5 per cent. If the draft budget did not comply with these principles the Mayor would be required to present, additionally, a substitute budget which did. This, subject to any amendments agreed by the required two thirds majority, would become the default budget if the referendum was lost. More details of this process are set out in part III of the Budget.
- 7.7 In view of the proposed freeze in the precept for 2012-13 there will be no requirement to hold a referendum – on the basis of the Mayor's draft budget – and therefore a substitute budget has not been prepared. If the Assembly were to agree an amendment to the Mayor's budget by the required majority which resulted in the Band D council tax being increased by more than 4 per cent (i.e. a Band D tax exceeding £322.22) then it would also be required to agree a substitute budget which resulted in a council tax of £322.22 (or lower).

8 Conclusions

- 8.1 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.

- 8.2 In commending the budget proposals to the Assembly the Mayor believes that Londoners recognise and support his plans to freeze the GLA Group's share of the Council Tax for the fourth year running while continuing to maintain and invest in public services in London.
- 8.3 The Mayor is satisfied that he has weighed respective interests fairly and that the savings required to freeze his element of the Council Tax will not adversely affect the front line service delivery of his statutory and discretionary responsibilities. The Mayor believes firmly that the proposals will make a significant contribution to improving Londoners' quality of life and supporting London's economy.

9 Recommendations

- 9.1 On the basis of the information set out in this statement and accompanying documents, the Assembly approve the Mayor's draft consolidated council tax requirement for the GLA and the functional bodies of **£934,784,687**, as contained in **Annex A**.
- 9.2 The OPLC is not a functional body of the GLA and its Budget is therefore not a component part of the GLA's Consolidated Budget for the purposes of sections 85 to 88 of the GLA Act. Its budget is provided for comparative purposes only as if it were a functional body but it does not form part of the statutory budget calculations.
- 9.3 This draft consolidated council tax requirement is made up as follows:

<i>Constituent body</i>	<i>Component council tax requirement</i>
Mayor of London	£87,050,000
London Assembly	£2,600,000
Mayor's Office for Policing and Crime	£711,394,960
London Fire and Emergency Planning Authority	£127,739,727
Transport for London	£6,000,000
Total	£934,784,687

Boris Johnson
Mayor of London

Draft component and consolidated council tax requirements 2012-13

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

Line	Sum	Description
(1)	£367,550,000	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
(2)	£11,800,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
(3)	£0	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
(4)	£0	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act
(5)	£379,350,000	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)	-£146,000,000	estimate of the Mayor's income not in respect of government grant calculated in accordance with s85(5)(a) of the GLA Act
(7)	-£93,800,000	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(8)	-£44,700,000	estimate of the Mayor's income in respect of redistributed non domestic rates, revenue support grant, police grant and GLA general grant calculated in accordance with s85(5)(a) of the GLA Act
(9)	-£7,800,000	estimate of Mayor's reserves to be used in meeting amounts in lines (1) and (2) above under s85(5)(b) of the GLA Act
(10)	-£292,300,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Mayor (lines (6) + (7) + (8) + (9))
(11)	£87,050,000	the component council tax requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (10) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the Mayor for 2012-13 is £87,050,000.

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

Line	Sum	Description
(12)	£7,700,000	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the GLA Act
(13)	£0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the GLA Act
(14)	£0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the GLA Act
(15)	£0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the GLA Act
(16)	£7,700,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Assembly (lines (12) + (13) + (14) + (15) above)
(17)	£0	estimate of the Assembly's income not in respect of government grant calculated in accordance with s85(5)(a) of the GLA Act
(18)	£0	estimate of the Assembly's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(19)	-£5,100,000	estimate of the Assembly's income in respect of redistributed non domestic rates, revenue support grant, police grant and GLA general grant calculated in accordance with s85(5)(a) of the GLA Act
(20)	£0	estimate of Assembly's reserves to be used in meeting amounts in lines (12) and (13) above under s85(5)(b) of the GLA Act
(21)	-£5,100,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Assembly (lines (17) + (18) + (19) + (20))
(22)	£2,600,000	the component council tax requirement for the Assembly (being the amount by which the aggregate at (16) above exceeds the aggregate at (21) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the Assembly for 2012-13 is £2,600,000.

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

Line	Sum	Description
(23)	£3,471,800,000	estimated expenditure of the MOPC calculated in accordance with s85(4)(a) of the GLA Act
(24)	-	estimated allowance for contingencies for the MOPC under s85(4)(b) of the GLA Act
(25)	-	estimated reserves to be raised for meeting future expenditure of the MOPC under s85(4)(c) of the GLA Act
(26)	-	estimate of reserves to meet a revenue account deficit of the MOPC under s85(4)(d) of the GLA Act
(27)	£3,471,800,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the MOPC (lines (23) + (24) + (25) + (26) above)
(28)	-£292,400,000	estimate of the MOPC's income not in respect of government grant calculated in accordance with s85(5)(a) of the GLA Act
(29)	-£559,200,000	estimate of the MOPC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(30)	-£1,889,805,040	estimate of the MOPC's income in respect of redistributed non domestic rates, revenue support grant, police grant and GLA general grant calculated in accordance with s85(5)(a) of the GLA Act
(31)	-£19,000,000	estimate of MOPC's reserves to be used in meeting amounts in lines (23) and (24) above under s85(5)(b) of the GLA Act
(32)	-£2,760,405,040	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the MOPC (lines (28) + (29) + (30) + (31))
(33)	£711,394,960	the component council tax requirement for MOPC (being the amount by which the aggregate at (27) above exceeds the aggregate at (32) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the MOPC for 2012-13 is £711,394,960.

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

Line	Sum	Description
(34)	£448,100,000	estimated expenditure of LFEPA for the year calculated in accordance with s85(4)(a) of the GLA Act
(35)	£0	Estimated allowance for contingencies for LFEPA under s85(4)(b) of the GLA Act
(36)	£0	estimated reserves to be raised for meeting future expenditure of LFEPA under s85(4)(c) of the GLA Act
(37)	£0	estimate of reserves to meet a revenue account deficit of LFEPA under s85(4)(d) of the GLA Act
(38)	£448,100,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LFEPA (lines (34) + (35) + (36) + (37) above)
(39)	-£27,400,000	estimate of LFEPA’s income not in respect of government grant calculated in accordance with s85(5)(a) of the GLA Act
(40)	-£10,900,000	estimate of LFEPA’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(41)	-£252,060,273	estimate of LFEPA’s income in respect of redistributed non domestic rates, revenue support grant, police grant and GLA general grant calculated in accordance with s85(5)(a) of the GLA Act
(42)	-£30,000,000	estimate of LFEPA’s reserves to be used in meeting amounts in lines (34) and (35) above under s85(5)(b) of the GLA Act
(43)	-£320,360,273	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFEPA (lines (39) + (40) + (41) + (42) above)
(44)	£127,739,727	the component council tax requirement for LFEPA (being the amount by which the aggregate at (38) above exceeds the aggregate at (43) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for LFEPA for 2012-13 is £127,739,727.

Transport for London ("TfL") draft component budget

Line	Sum	Description
(45)	£10,040,000,000	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the GLA Act
(46)	£0	estimated allowance for contingencies for TfL under s85(4)(b) of the GLA Act
(47)	£248,000,000	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the GLA Act
(48)	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the GLA Act
(49)	£10,288,000,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the TfL (lines (45) + (46) + (47) + (48) above)
(50)	-£6,945,000,000	estimate of TfL's income not in respect of government grant calculated in accordance with s85(5)(a) of the GLA Act
(51)	-£3,337,000,000	estimate of TfL's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(52)	£0	estimate of TfL's income in respect of redistributed non domestic rates, revenue support grant, police grant and GLA general grant calculated in accordance with s85(5)(a) of the GLA Act
(53)	£0	estimate of TfL's reserves to be used in meeting amounts in lines (45) and (46) above under s85(5)(b) of the GLA Act
(54)	-£10,282,000,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for TfL (lines (50) + (51) + (52) + (53) above)
(55)	£6,000,000	the component council tax requirement for TfL (being the amount by which the aggregate at (49) above exceeds the aggregate at (54) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for TfL for 2012-13 is £6,000,000.

Greater London Authority (“GLA”) draft consolidated council tax requirement calculation incorporating the component council tax requirements for the Greater London Authority (Mayor), Greater London Authority (Assembly), the Mayor’s Office for Policing and Crime (MOPC), the London Fire and Emergency Planning Authority and Transport for London

Line		Description
(55)	£934,784,687	the GLA’s consolidated council tax requirement (the sum of the amounts in lines (11) + (22) + (33) + (44) + (55) calculated in accordance with section 85(8) of the GLA Act

The draft consolidated council tax requirement for the GLA for 2012-13 is £934,784,687.

The notional component council tax requirement calculation for OPLC – were it to be a functional body of the GLA under the GLA Act at the date of the Assembly meeting – is set out below for comparative purposes only. It is incorporated in Part 2 of the draft budget for completeness in order to aid understanding of the wider budget of the GLA Group following the creation of the Mayoral Development Corporation. The Assembly has no power to amend the OPLC’s original 2012-13 budget as this is a matter for the OPLC board pending the creation of the Mayoral Development Corporation.

Olympic Park Legacy Company (“OPLC”) notional draft component budget

Line	Sum	Description
(56)	£26,300,000	estimated expenditure of OPLC for the year calculated in accordance with s85(4)(a) of the GLA Act
(57)	£0	estimated allowance for contingencies for OPLC under s85(4)(b) of the GLA Act
(58)	£0	estimated reserves to be raised for meeting future expenditure of OPLC under s85(4)(c) of the GLA Act
(59)	£0	estimate of reserves to meet a revenue account deficit of OPLC under s85(4)(d) of the GLA Act
(60)	£26,300,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the OPLC (lines (56) + (57) + (58) + (59) above)
(61)	-£11,100,000	estimate of the OPLC’s income not in respect of government grant calculated in accordance with s85(5)(a) of the GLA Act
(62)	-£10,600,000	estimate of the OPLC’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(63)	£0	estimate of the OPLC’s income in respect of redistributed non domestic rates, revenue support grant, police grant and GLA general grant calculated in accordance with s85(5)(a) of the GLA Act
(64)	-£4,600,000	estimate of OPLC’s reserves to be used in meeting amounts in lines (56) and (57) above under s85(5)(b) of the GLA Act
(65)	-£26,300,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for OPLC (lines (61) + (62) + (63) + (64) above)
(66)	£0	the component council tax requirement for OPLC (being the amount by which the aggregate at (41) above exceeds the aggregate at (44) above calculated in accordance with section 85(6) of the GLA Act)

The notional draft component council tax requirement for the OPLC for 2012-13 is £0.

Summary of draft consolidated budget for 2012-13 (Statutory Calculation excluding Olympic Park Legacy Company)

£	GLA: Mayor	GLA: Assembly	MOPC	LFEPA	TfL	Total
Estimated expenditure	£367,550,000	7,700,000	3,471,800,000	448,100,000	10,040,000,000	14,335,150,000
Estimated allowance for contingencies	£11,800,000	-	-	-	-	11,800,000
Estimated reserves to be raised for meeting future expenditure	£0	-	-	-	-	0
Estimate of reserves to meet a revenue account deficit	£0	-	-	-	248,000,000	248,000,000
Estimated total expenditure	£379,350,000	7,700,000	3,471,800,000	448,100,000	10,288,000,000	14,594,950,000
Estimate of income not in respect of government grant	-£146,000,000	-	-292,400,000	-27,400,000	-6,945,000,000	-7,410,800,000
Estimate of special & specific government grant income	-£93,800,000	-	-559,200,000	-10,900,000	-3,337,000,000	-4,000,900,000
Estimate of redistributed non-domestic rates, revenue support grant, police grant or general GLA grant income	-£44,700,000	-	-1,889,805,040	-252,060,273	-	-2,186,565,313
Estimate of reserves to be used	-£7,800,000	-5,100,000	-19,000,000	-30,000,000	-	-61,900,000
Estimated total income	-£292,300,000	-5,100,000	-2,760,405,040	-320,360,273	-10,282,000,000	-13,660,165,313
Council tax requirement	£87,050,000	2,600,000	711,394,960	127,739,727	6,000,000	934,784,687

Aggregate GLA Group budget for 2012-13 including OPLC (for illustrative purposes)

£	GLA: Mayor	GLA: Assembly	MOPC	LFEPA	TfL	OPLC	Total
Estimated expenditure	£367,550,000	7,700,000	3,471,800,000	448,100,000	10,040,000,000	26,300,000	14,361,450,000
Estimated allowance for contingencies	£11,800,000	-	-	-	-	-	11,800,000
Estimated reserves to be raised for meeting future expenditure	£0	-	-	-	-	-	0
Estimate of reserves to meet a revenue account deficit	£0	-	-	-	248,000,000	-	248,000,000
Estimated total expenditure	£379,350,000	7,700,000	3,471,800,000	448,100,000	10,288,000,000	26,300,000	14,621,250,000
Estimate of income not in respect of government grant	-£146,000,000	-	-292,400,000	-27,400,000	-6,945,000,000	-11,100,000	-7,421,900,000
Estimate of special & specific government grant income	-£93,800,000	-	-559,200,000	-10,900,000	-3,337,000,000	-10,600,000	-4,011,500,000
Estimate of redistributed non-domestic rates, revenue support grant, police grant or general GLA grant income	-£44,700,000	-	-1,889,805,040	-252,060,273	-	-	-2,186,565,313
Estimate of reserves to be used	-£7,800,000	-5,100,000	-19,000,000	-30,000,000	-	-4,600,000	-66,500,000
Estimated total income	-£292,300,000	-5,100,000	-2,760,405,040	-320,360,273	-10,282,000,000	-26,300,000	-13,686,465,313
Council tax requirement	£87,050,000	2,600,000	711,394,960	127,739,727	6,000,000	-	934,784,687

Part 2

Draft consolidated budget 2012-13: Explanation of proposals

Mayor's foreword

	Page
Mayor's foreword	23
Introduction and overview.....	24
Greater London Authority: Mayor of London (GLA).....	30
Greater London Authority: London Assembly	42
Mayor's Office for Policing and Crime (MOPC).....	45
London Fire and Emergency Planning Authority (LFEPA).....	54
Transport for London (TfL)	61
Olympic Park Legacy Company (OPLC).....	72
GLA Group: future years' funding	76
Consolidated budget and council tax requirements.....	83
Draft Capital Spending Plan and Borrowing Limits.....	85
Appendix A: Greater London Authority: Mayor of London and Assembly	99
Appendix B: Mayor's Office for Policing and Crime.....	102
Appendix C: London Fire and Emergency Planning Authority	105
Appendix D: Transport for London.....	106
Appendix E: Olympic Park Legacy Company	109
Appendix F: 2012 Games and legacy.....	110
Appendix G: Savings, efficiencies and Shared Services.....	116
Appendix H: Spending and financing summary	118
Appendix I: Key dates	119
Appendix J: Changes to text since the Consultation Document	120

If you have access to the Internet, we would recommend that you visit the Budget, Strategic Plan and Annual Accounts section of the GLA website at <http://www.london.gov.uk/who-runs-london/greater-london-authority/budget-and-strategic-plan> to obtain an electronic copy of the report. If you do wish to print it, please use recycled paper.

Mayor's foreword

Superseded by the Mayor's Background Statement

Section 1- Introduction and Overview

- 1.1 This year the Mayor's budget proposals reflect the Government's intention to strengthen London's governance, enshrined in the Localism Act and the Police Reform and Social Responsibility Act. These include primarily:
- The devolution of powers over housing investment in London from the Homes and Communities Agency to the GLA;
 - The abolition of the LDA with its city-wide roles on regeneration and management of European funding to be transferred to the GLA;
 - New powers for the Mayor of London to establish Mayoral Development Corporations; and
 - The creation of the Mayor's Office for Policing and Crime in place of the Metropolitan Police Authority from 16 January 2012.
- 1.2 Embracing these new responsibilities, the Mayor's key objective is to maximise value for the taxpayer through the rigorous pursuit of efficiencies while protecting frontline services and directing expenditure to key priorities. The Mayor's 2012-13 budget and forward plans include the following additional objectives:
- Contributing towards a successful and secure 2012 Olympic and Paralympic Games and creating an enduring legacy that transforms and regenerates the east of London, as well as spreading the benefits of 2012 across the capital with an unchanged contribution from the London council taxpayer to the agreed funding package;
 - Securing a sustained increase in participation in sport and physical activity amongst Londoners;
 - Delivering a programme of activities and events to engage with London's diverse communities;
 - Delivering the London Housing Strategy and the Mayor's target of 50,000 affordable homes by the end of 2012;
 - Through the London Enterprise Panel, the Outer London Fund and the Mayor's Regeneration Fund helping to boost London's economy;
 - Delivering the Mayor's Environmental Strategies, including projects to help contribute to reducing CO₂ emissions by 60 per cent by 2025;
 - Increasing the opportunities for young people, including an Apprenticeship Programme;
 - Boosting confidence and satisfaction in the Metropolitan Police by Total Policing – a total war on crime, total care for victims and total professionalism of the force;
 - Maintaining police officer numbers at or around existing levels;
 - Improving London's fire and rescue services;
 - Financing the main construction works for Crossrail project which will lead to London's rail network capacity increasing by 10 per cent and continuing the vital upgrade of the Tube network;
 - Maintaining the bus network and introducing a new iconic bus for London;

Section 1- Introduction and Overview

- Maintaining existing Concessionary Fares schemes including the 24 hour Freedom Pass for older and disabled Londoners;
- Building a Cable Car across the Thames in east London; and
- Making London a genuinely cycle-friendly city by building on the success of the Barclays Cycle Hire scheme.

Consolidated Budget Requirement

- 1.3 The GLA Group (including Transport for London as a Corporation but not its subsidiaries) is subject to the local government finance regime. Previously, the Mayor was required to set consolidated and component budget requirements for the GLA Group and each functional body – representing their gross expenditure net of general income, specific grants and any application of reserves but gross of general government grants. However, the term ‘budget requirement’ will have no formal legal status following the amendments made to the GLA Act 1999 under the Localism Act 2011. However for completeness – and to aid comparison with previous years’ budgets – the budget requirement figures are presented in this consultation budget.
- 1.4 The proposed consolidated budget requirement for 2012-13 is **£3,126.5m**. The component budget requirements for 2012-13 and indicative forecasts for 2013-14 and 2014-15 are set out in the table below.

Component budget requirements	Approved 2011-12 £m	Proposed 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
GLA (Mayor of London and London Assembly)	155.1	139.5	135.9	134.8
Mayor’s Office for Policing and Crime (MOPC)	2,713.0	2,601.2	2,609.8	2,579.8
London Fire and Emergency Planning Authority (LFEPA)	409.4	379.8	386.6	363.4
Transport for London (TfL)	6.0	6.0	6.0	6.0
London Development Agency (LDA)	0.0	N/A	N/A	N/A
Olympic Park Legacy Company (OPLC)	N/A	0.0	0.0	0.0
Consolidated budget requirement	3,283.5	3,126.5	3,138.3	3,084.0

Note: The Mayor’s Office for Policing and Crime (MOPC) is now used in the budget in place of the Metropolitan Police Authority as the former replaced the latter on 16 January 2012 following the enactment of the relevant clauses in the Police Reform and Social Responsibility Act 2011.

Council tax requirements and the GLA precept

- 1.5 From 2012-13 onwards the Mayor is required to set component and consolidated council tax requirements for each functional body and the GLA Group and it is these which the Assembly will have the power to amend. The council tax requirement equates to the amount which will be allocated to the GLA and for each functional body from the Mayor’s council tax precept i.e. the former budget requirement net of general government grants. These individual functional body requirements are consolidated to form the consolidated council tax requirement for the GLA Group.

Section 1- Introduction and Overview

- 1.6 The Mayor proposes that there will be no increase in the GLA's Council Tax precept in 2012-13 for residents of the 32 London boroughs. The consolidated council tax requirement is therefore **£934.8m** assuming at this stage that the London wide council taxbase is unchanged from 2011-12.
- 1.7 The proposed component council tax requirements for 2012-13 and indicative forecasts for 2013-14 and 2014-15 are set out in the table below.

Component council tax requirements	Approved 2011-12 £m	Proposed 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
GLA (Mayor of London and London Assembly)	91.6	89.7	89.8	90.4
Mayor's Office for Policing and Crime (MOPC)	687.5	711.4	681.3	680.7
London Fire and Emergency Planning Authority (LFEPA)	157.7	127.7	157.7	157.7
Transport for London (TfL)	6.0	6.0	6.0	6.0
London Development Agency (LDA)	0	N/A	N/A	N/A
Olympic Park Legacy Company (OPLC)	N/A	0.0	0.0	0.0
Collection fund (surplus)/deficit	-8.0	0.0	0.0	0.0
Consolidated council tax requirement	934.8	934.8	934.8	934.8

- 1.8 The precise council tax requirements for 2012-13 will not be confirmed until the council taxbase information and collection fund surplus data for the 33 London billing authorities is supplied to GLA at the end of January. There may also be marginal consequential changes made to the apportionment of the council tax precept income across the Group. These will be reflected in the Mayor's final draft budget in February.
- 1.9 Council Tax revenue and the other sources of finance are summarised below:

	£m	Per cent
Spending plans	14,373	100
<i>Less:</i>		
Fares, charges and other income	-7,422	51
Specific Government grants	-4,012	28
General Government grants (formula, police and GLA general)	-2,192	14
Use of Reserves (TfL)	248	0
Use of Reserves (other)	-60	0
Net surplus in borough Council Tax collection funds	-	-
Consolidated Council tax requirement for GLA Group	935	7

- 1.10 Raising this income from Council Taxpayers does not require any increase in the band D Council Tax of **£309.82** for residents of the 32 London boroughs.

Section 1- Introduction and Overview

- 1.11 The budget requires a band D Council Tax of **£73.92** in the area of the Common Council of the City of London, which is outside the Metropolitan Police area. There is a consequential reduction to the Band D Council Tax level of around £8 for residents of the City of London as they do not contribute towards the costs of the MOPC. This reflects the impact of the Mayor's decision to again increase the share of his precept allocated to policing.

Government grants

- 1.12 The budget has been prepared having regard to the latest information and intelligence on the Government grant allocations for the GLA and each functional body. However, while there is an agreed GLA settlement for this Spending Review period and beyond at a high level, a detailed settlement letter confirming the exact level of GLA General grant and specific grant had yet to be issued at the date this draft budget was published. The MOPC has also yet to receive details of all of its grants.
- 1.13 The Government has announced that it will provide an unringfenced reward grant to incentivise local authorities to freeze their Council Tax in 2012-13 which will be payable on a one off basis. The amount of freeze grant which the GLA would be eligible for equates to the estimated additional council tax revenue which would have been received had the police element of the Mayor's 2011-12 precept been increased by 3 per cent and the non police element by 2.75 per cent allowing for the buoyancy in the London wide council taxbase. This has been estimated by DCLG to be approximately £27.7m (subject to the buoyancy of the London council taxbase for 2012-13). The 2012-13 council tax freeze grant has been provisionally allocated to support the 2013-14 GLA budget in **section 2** and is expected to be held in reserves during 2012-13 pending it being applied to repay and restructure debt.
- 1.14 The GLA will also continue to receive £23.4m (uprated annually for the buoyancy of the council taxbase) each year up to and including 2014-15 from the 2011-12 council tax freeze grant scheme. Eligibility for the 2011-12 Freeze Grant over the four year CSR period is unaffected by decisions on Council Tax levels for 2012-13 onwards. The 2011-12 freeze grant is allocated within the Mayor's component budget in **section 2**.

Council tax referendum

- 1.15 As part of the provisional local government finance settlement the Government also confirmed the draft council tax referendum threshold for 2012-13. This reflects the new arrangements introduced in the Localism Act 2011 to replace the current system of council tax capping. This requires the Mayor – and local authorities in general – to hold referendums to approve their proposed council tax increases where these exceed a threshold set by Parliament.
- 1.16 The council tax increase above which the Mayor would be required to hold a referendum in 2012-13 on the basis of the Government's provisional proposals is 4 per cent. The Mayor's budget proposes that his precept remains at the same level as in 2011-12 and therefore the referendum threshold will not be triggered for his 2012-13 budget.

Section 1- Introduction and Overview

Future funding uncertainties

- 1.17 There is uncertainty in respect of the level of funding for 2013-14 and 2014-15 because of the impact of the Local Government Resource Review. The Government issued a consultation paper outlining its intentions in July 2011 and issued its conclusions on 19 December alongside a draft Local Government Finance Bill. Under the changes local authorities (excluding police authorities) will be able to retain part of the future growth in their business rates revenues locally from April 2013. The Government has confirmed that LFEPA and the GLA, in respect of their revenue funding, will form part of the rates retention system alongside the 32 London boroughs and the Corporation of London.
- 1.18 Final details on the operational arrangements for the new system – including the share of growth to be apportioned between the GLA, LFEPA, London boroughs and the Corporation of London – are unlikely to be known until mid 2012.
- 1.19 The bill also sets out the Government’s proposals to localise council tax benefit support from April 2013. From that date each London borough – subject to consultation with the Mayor and GLA – will therefore determine its own local council tax benefit policies although there will be no change to the existing levels of support for pensioners. This change will be accompanied by a 10 per cent reduction in council tax benefit support from central government – equivalent to a £500m reduction across England and £70m in London. As a precepting authority this will affect the GLA’s budget as its precept income from London boroughs will be reduced and offset by a new council tax support grant. This will replace the existing funding arrangements where the costs of council tax benefit are 100 per cent financed by Government subsidy. Further details on the potential impact of the new council tax support arrangements are set out in **section 8**.
- 1.20 The bill also includes proposed changes to the discounts offered for second and empty homes alongside other technical reforms to the council tax system. This will affect the council taxbase calculation for billing authorities and thus the revenue the GLA receives from the precept.
- 1.21 Given the uncertainties on funding for future years this document focuses on proposals for 2012-13. More details of the planning assumptions for future year’s budgets and the latest position on the estimated impact of the Comprehensive Spending Review and proposals on the local retention of business rates across the GLA group are set out in **section 8** of this document.

Section 1- Introduction and Overview

Mayor and Assembly components

- 1.22 For the purpose of budget setting under the GLA Act the Mayor of London and London Assembly are 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. The budget for the Mayor comprises the rest of the GLA, and includes expenditure incurred on accommodation in relation to the Assembly's business, and goods and services provided or procured for the Authority in general.
- 1.23 The Government does not apportion the GLA General grant between the Mayor and Assembly functions. It is therefore necessary, as part of the new obligations under the Localism Act 2011, to determine this in order to set separate council tax requirements for both the Mayor (GLA) and Assembly. The proposed approach to be used for this apportionment is addressed in **sections 2 and 3**.

Further information

- 1.24 Further information on the budget proposals and funding for each constituent body within the GLA Group is presented in organisational terms in **sections 2 to 7** of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of the budget and council tax requirements. **section 9** sets out the consolidated budget and council tax requirements. **Section 10** sets out the draft Capital Spending Plans and Borrowing Limits for the Group.
- 1.25 **Appendices A to H** provide more explanatory information on the year-on-year budget changes and **Appendix I** lists the remaining key dates in the budget process. **Appendix J** lists the changes to this Document compared to the Consultation Document issued in December. All figures are presented to the nearest £0.1m except for TfL where figures are reported to the nearest million. Please note that figures in the Tables throughout the document may not sum exactly due to rounding.
- 1.26 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:

Doug Wilson (for GLA)

e-mail: doug.wilson@london.gov.uk

Martin Mitchell (for Functional Bodies)

e-mail: martin.mitchell@london.gov.uk

Section 2 – Greater London Authority: Mayor of London

Introduction

- 2.1 The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and Assembly in delivering their respective responsibilities and functions. The GLA's four functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPC; overseeing the work of the Metropolitan Police Service - MPS) which took over the responsibilities of the former Metropolitan Police Authority on 16 January 2012; the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL); and the Olympic Park Legacy Company (OPLC) which is scheduled to become a Mayoral Development Corporation in 2012.
- 2.2 The GLA also works with partner organisations – the 32 London boroughs and the Common Council of the City of London, London Councils, Whitehall agencies and a range of other organisations from the private, public and voluntary sectors – to deliver the Mayor's vision to make London the best big city in the world.

Devolution

- 2.3 The Localism Act 2011 which received Royal Assent in November 2011 transfers the Homes and Community Agency's (HCA) London operations and London Development Agency (LDA) functions to the Greater London Authority (GLA) from a date to be appointed but which is expected to be in April 2012. Olympic legacy responsibilities are expected to pass to a new functional body from the same date – a Mayoral Development Corporation known as the Olympic Park Legacy Corporation (OPLC).
- 2.4 As a consequence of these changes, total GLA core spending over the three year period from 2012-13 to 2014-15 (that is, the remainder of the current Spending Review period) is expected to exceed £5.6 billion (including Crossrail contributions). This increased level of core expenditure covers:
- Existing GLA functions;
 - Continuing LDA functions; and
 - Transferring HCA London programmes.
- 2.5 The GLA has reached agreement with the Government as to the terms of the GLA settlement for 2012-13 and beyond at a high level, although a detailed settlement letter has yet to be issued. The key points of the agreement are:
- Olympic land and assets: the GLA will receive the Sugar House Lane receipt in full and thereafter the first £223m in subsequent receipts will go to the GLA to enable it – along with grant – to repay Olympic land debt inherited from the LDA; after that there will be a 25:75 split between the GLA and Lottery until the Lottery has been repaid in full; finally there will be a 50:50 split between the GLA and the Exchequer on any remaining receipts;
 - HCA London assets: These will be transferred at nil consideration and Greenwich Peninsula receipts will be split 50:50 between the GLA and DCLG;
 - Residual London Thames Gateway Development Corporation (LTGDC) assets will be transferred to the GLA at nil consideration;

Section 2 – Greater London Authority: Mayor of London

- DCLG will provide the GLA with an additional £12m in grant in 2011-12 to cover Olympic debt costs arising for the GLA over this Spending Review period; and
 - DCLG will bring forward at least another £41m in GLA grant to 2011-12 to improve the GLA's cash flow.
- 2.6 The GLA's Capital Programme (including Crossrail contributions) is set to increase from £875m in the 2011-12 original capital plan to £1.69 billion in 2012-13 as a result of the Devolution arrangements – primarily due to capital funding for HCA activities.
- 2.7 In financing the Capital Programme over the medium term the GLA will seek to optimise decisions on future borrowing to minimise costs, having made prudent estimates of the profile of the capital receipts that are planned to be realised. These will be addressed in the GLA's treasury management strategy.

Government funding

- 2.8 The Government is expected to issue the GLA's settlement letter in late January 2012 although a high level settlement agreement has already been reached. For the purposes of this draft budget it has been assumed that the GLA will receive £49.8m in GLA general grant although this is likely to be adjusted to reflect new functions currently presented as specific grants. This is £13.5m lower than in 2011-12 on a cash basis. However, on a like for like basis it represents a £5.5m (10 per cent) reduction due to the impact of the scheduled £8m reduction to the transitional funding provided to support the London Waste and Recycling Board in 2011-12 and other minor adjustments. In addition it has been assumed that the GLA's new responsibilities will be funded through general grant subject to the impact of the Local Government Resource Review which will alter the way the GLA is funded from April 2013.
- 2.9 The GLA is forecast to receive £27.7m on a one off basis through the council tax freeze grant once the Mayor freezes or reduces his precept for 2012-13. The 2012-13 council tax freeze grant has been provisionally allocated to support the 2013-14 GLA budget and is expected to be held in reserves in 2012-13. The GLA will also receive an estimated £23.4m (which is adjusted annually for the buoyancy in the council taxbase) in each of the next three financial years (to 2014-15) as a reward for the Mayor's decision to freeze the Council Tax precept in 2011-12. The 2011-12 freeze grant is fully allocated within the GLA's budget.
- 2.10 The revenue budget assumes that the GLA will receive around £42.6m in other revenue specific grants. This includes an estimated £40.7m in funding for devolved activities, £1.1m Home Office grant and £0.8m through the Growing Places Fund. The Home Office community safety grant – paid to GLA in 2011-12 - is now reflected in the MOPC budget for 2012-13 as explained below. The assumed levels of Government funding for the GLA in 2012-13 for the purposes of the consultation budget are summarised in Table 4 in **Appendix A**. It is possible that some of these specific grants may ultimately be paid via GLA General Grant. In addition, £10.6m will be received for OPLC administration costs, which is reflected in its budget in **section 7**.

Section 2 – Greater London Authority: Mayor of London

Transfers of Funding and Functions to Other Functional Bodies

- 2.11 Funding for the community safety grant from the Home Office, which was payable to the GLA in 2011-12, is expected to transfer to the Mayor's Office for Policing and Crime from 2012-13. Funding through this grant stream is expected to be reduced from £10.6m this year to £5.4m in 2012-13. This is now reflected in the MOPC's budget for 2012-13 – with a corresponding reduction in the Communities and Intelligence's Directorate expenditure within the GLA's budget – along with the associated funding in specific grants. The 2011-12 grant and expenditure continues to be reported within the GLA budget. The entire 2011-12 grant was paid by the GLA to London boroughs to fund their community safety partnerships in recognition of the fact that previously they had received this funding from the Home Office via DCLG. Decisions on the use and distribution of this funding will be made by the MOPC once the Home Office has confirmed the final details for the 2012-13 grant.
- 2.12 The GLA is also transferring the majority of its community safety functions and programmes to the MOPC – which will be reflected through an adjustment to the precept share between the two bodies. For the purposes of the consultation budget an indicative transfer figure of up to £2.1m was assumed for the next three years. This has been amended and the actual transfer sum is now £1.8m in 2012-13, £1.7m in 2013-14 and £1.1m in 2014-15. The transferred sum will include £0.6m in continued support for the four rape crisis centres in north, east, south and west London.
- 2.13 The GLA budget for 2012-13 also impacts on the resources available for the OPLC. More information on the OPLC's budget proposals are set out in [section 7](#).

Key deliverables

- 2.14 The key deliverables for the GLA in 2012-13 include:
- Ensuring a safe, successful, and spectacular Olympic and Paralympic Games that leaves an enduring legacy for London;
 - Securing a sustained increase in participation in sport and physical activity amongst Londoners, including by making available/improving sporting facilities and enhancing skills for people involved in sport and sport-related leisure;
 - Supporting and working with the London Enterprise Partnership (LEP) to invest in the capital, to promote business and growth and to secure training and employment opportunities for Londoners, drawing on the £39m allocation for London from the Growing Places Fund;
 - Improving opportunities for young people, including through targeted interventions to engage young people who are at risk of becoming or are not in education, employment or training (NEET), increasing the number of apprenticeships offered and taken up in London, and by supporting the opening of up to ten academies;
 - Through the Outer London Fund, strengthening the vibrancy and growth of high streets and their environs;

Section 2 – Greater London Authority: Mayor of London

- Promoting London to the world by continuing to support a varied programme of events and celebrations, the creative industries and the official promotional organisation for London, London and Partners;
- Investing to ensure those areas affected by the August 2011 disturbances are not only repaired and rebuilt but returned as places that are better than before to live, work and invest in through the Mayor's Regeneration Fund and other initiatives;
- Delivering the revised London Housing Strategy, including improving housing mobility, achieving the Mayor's target of 50,000 affordable homes by the end of 2012, and addressing rough sleeping;
- Working with public and private sector partners to transform the Royal Docks into a first class business and leisure destination with vibrant communities and lasting employment; and working to maximise other regeneration opportunities in East London and beyond to create jobs and homes. In order to deliver this ambition a new Enterprise Zone for the Royal Docks is scheduled to be created from 1 April 2012;
- Delivering programmes that will contribute to the goals set out in the Mayor's environmental strategies, including projects: to contribute to a 60 per cent fall in CO₂ emissions by 2025; to prepare for and mitigate climate change; to reduce waste, and to improve air quality;
- Improving London's Great Outdoors and working to put the village back into the city, including by creating a greener, cleaner capital and enhancing the public realm;
- With partners and through Team London, rewarding, recognising and promoting volunteering with a focus on three priority areas: cutting crime; improving quality of life; and increasing youth opportunities;
- Delivering a programme of activities and events to engage with London's diverse communities, including support for youth opportunities, community cohesion and civic engagement;
- Organising and conducting successful GLA elections in May 2012 (through the independent body London Elects); and
- Making a success of devolution, including absorbing and then discharging HCA London powers over housing investment and LDA city-wide roles on regeneration and management of European Funding, while helping the MOPC and MDC to be effective from the outset;

Budget and Council tax requirement

- 2.15 The Mayor's forecast of **gross revenue expenditure for 2012-13** in respect of GLA functions is **£379.4m**. Of this £101.0m relates to the estimated interest on the GLA's borrowing to fund its contribution to Crossrail financed from business rate supplement income and £60.4m is the GLA's contribution towards the cost of the 2012 Olympic and Paralympic Games financed by the £20 Band D Olympic precept.

Section 2 – Greater London Authority: Mayor of London

- 2.16 After deducting fees, charges, investment income, business rate supplement revenues for Crossrail, specific government grants, and the application of the election and general reserves, **the notional budget requirement for 2012-13 for the Mayor is £131.8m. The council tax requirement for the Mayor is £87.1m.**
- 2.17 The GLA budget also includes a contingency of around £11.8m which could be applied to support GLA group wide activities but will not be allocated until the full impact of the final GLA settlement and the 2012-13 council tax base and collection fund surplus data has been assessed. An analysis of the year on year movements in the budget and council tax requirement is set out later in this section.

Inflation

- 2.18 No provision has been made for inflation in 2012-13, reflecting the public sector pay freeze, and Directorates will need to contain any non-pay inflation (except for City Hall rents and rates).

Savings and efficiencies

- 2.19 The budget constraints over the current CSR period and beyond demand that all GLA programmes and projects can be shown to deliver value for money and meet Londoners' and Mayoral priorities. As a result, the Mayor has initiated a project prioritisation process in order to sharpen up delivery of his key priorities, to maximise the impact of the GLA's and its partners' investment and create tangible returns for Londoners. The process will identify potential savings and be used to finalise the GLA's budget over the coming months.
- 2.20 New savings of £2.9m within the residual core GLA budget are being proposed for 2012-13. Table 2 in **Appendix A** provides further details of these by GLA Directorate. It should be noted that the savings outlined relate only to the GLA in its pre-devolution form. Additional, and substantial, savings are being achieved on both former LDA and HCA London functions. In the case of the LDA, the vast majority of its functions have been either downsized prior to their transfer to the GLA or discontinued altogether. In the case of HCA London, significant programme and staffing reductions have already taken place. In both cases, reductions are well in excess of the 25 per cent in grant cuts most public bodies are receiving over the Spending Review period.

New initiatives and service improvements

- 2.21 The devolution agenda means that certain GLA functions need additional funding so that they can operate at the capacity required. The non-programme additional costs arising are primarily, but not exclusively, staffing related and total around £51.7m in 2012-13. Table 3 in **Appendix A** provides a detailed breakdown of these additional costs.

Summary of Proposed Budget

- 2.22 The key changes in income and expenditure between years for each of the main service areas are set out in the table below.

Section 2 – Greater London Authority: Mayor of London

GLA Service/directorate analysis	Revised Budget 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Directorate Expenditure				
Mayor's Private Office	3.4	3.3	3.2	3.1
Corporate Management Team	0.7	0.8	0.7	0.6
Elections – staffing	0.6	0.3	0.2	0.2
External Affairs	8.0	8.0	7.4	6.8
Communities & Intelligence	22.6	10.2	9.1	8.3
Development & Environment	15.8	14.2	13.6	13.0
London 2012	1.9	48.7	11.2	10.0
Former HCA/LDA Activities	0.0	39.2	35.8	24.4
Resources	21.8	21.6	20.8	20.5
Sub total Directorate expenditure	74.8	146.3	102.0	86.9
Elections – operations	6.5	12.6	0.0	0.5
London and Partners	16.0	14.0	12.0	12.0
Local Enterprise Partnership	0.0	0.8	0.0	0.0
London Waste & Recycling Board	9.5	1.5	1.5	1.5
Olympic Funding Agreement	60.4	60.4	60.4	60.4
Museum of London	7.8	7.6	7.6	7.6
Net Contingency	8.9	11.8	5.6	5.6
Net service expenditure	183.9	255.0	189.1	174.5
Interest payable (Crossrail BRS)	57.0	101.0	144.0	190.0
Interest payable (Other)	0.0	14.8	13.5	10.4
Capital financed by revenue/reserves	0.8	0.0	0.0	0.0
Minimum revenue provision	0.0	0.2	9.5	8.6
Total Net expenditure	241.7	371.0	356.1	383.5
Other Income				
Crossrail Business Rate Supplement	-57.0	-101.0	-144.0	-190.0
Council Tax freeze grant	-23.4	-51.1	-23.4	-23.4
Other specific grants	-11.8	-42.7	-31.4	-41.4
Public sector funding package	0.0	-34.9	0.0	0.0
Interest receipts	-1.1	-1.7	-1.3	-1.0
Net revenue expenditure	148.5	139.6	156.0	127.7
Transfer to/from reserves	-1.5	-7.8	-27.2	0.6
Mayor's Budget requirement	147.0	131.8	128.8	128.3
GLA General grant (share)	-58.7	-44.7	-41.3	-39.8
Mayor's Council tax requirement	88.3	87.1	87.5	88.5

Note: Figures may not sum exactly due to rounding. Public sector funding package relates to the 2012 Olympics. Council tax requirement for 2011-12 is notional and is for illustrative comparative purposes only.

Section 2 – Greater London Authority: Mayor of London

Explanation of budget changes

- 2.23 The changes in 2012-13 relative to 2011-12 for the GLA's notional budget requirement and council tax requirement can be summarised as follows:

Changes in the Mayor's spending plans	£m
2011-12 budget requirement	147.0
<i>Changes due to:</i>	
Inflation	0.0
Savings and efficiencies	-2.9
New initiatives and service improvements	54.2
Change in use of reserves	-7.8
Contingency available for the Group budget	2.9
Community safety functions transfer to MOPC (indicative)	-1.8
Changes in Government funding and financing	-59.8
2012-13 budget requirement	131.8

Changes in the Mayor's spending plans	£m
2011-12 council tax requirement	88.3
<i>Changes due to:</i>	
Inflation	0.0
Savings and efficiencies	-2.9
New initiatives and service improvements	54.2
Change in use of reserves	-7.8
Contingency available for the Group budget	2.9
Community safety functions transfer to MOPC (indicative)	-1.8
Changes in Government funding and financing	-45.8
2012-13 council tax requirement	87.1

Determination of the Council Tax Requirement for the Mayor and Assembly

- 2.24 As explained in **section 1** under the Localism Act 2011 the GLA will be required to determine a separate council tax requirement for both the Mayor and the Assembly from 2012-13 onwards. This means that the GLA's general grant funding – which is currently deducted from the budget requirement to generate the aggregate GLA council tax figure – must be notionally apportioned between the GLA and Assembly.
- 2.25 Until the GLA has a final grant offer letter for 2012-13 it is not possible to determine this calculation precisely as the potential apportionment of the general grant will be influenced by a number of factors taking into account the respective responsibilities of both entities and the development of the use of the general grant since the GLA was created in 2000-01. A comparison of the position in 2000 has been undertaken and has shown that there is no material difference in the apportionment of grant between the Mayor and Assembly compared to the position in 2011-12.

Section 2 – Greater London Authority: Mayor of London

- 2.26 For the purposes of consultation it has been assumed that the most appropriate basis for apportionment would be to reflect the baseline funding position set in the 2010 Spending Review - before taking into account the changes in functions arising from the Localism Act 2011 – and apportion the General Grant using the respective budget requirements for 2011-12. In 2011-12, in respect of existing functions, it has been estimated the Mayor’s budget requirement was £68.8m and the Assembly’s requirement was £8.0m resulting in a combined figure of £76.8m. On this basis the Mayor would account for an estimated 89.6 per cent and the Assembly, 10.4 per cent, of the baseline functions of the GLA.
- 2.27 The planning assumptions are that the GLA’s general grant for 2012-13 will be £49.8m. The precise amount – allowing for potential specific grant transfers – is to be confirmed. Applying these proportionate shares would therefore allocate £5.1m of the general grant to the Assembly and £44.7m to the GLA. The same methodology and apportionment is also used for the forecast grant levels for 2013-14 and 2014-15 of £46.1m and £44.4m respectively but in practice the allocations will be updated to reflect the grant settlements and respective responsibilities in those financial years once confirmed.
- 2.28 Deducting the respective grant shares for the Mayor and Assembly having regard to their respective 2012-13 budget requirements of £131.8m (section 2) and £7.7m (section 3) results in the indicative council tax requirements set out in the table below. The indicative council tax requirement for consultation for the Mayor in 2012-13 is therefore £87.1m for the Assembly £2.6m and in aggregate for the GLA £89.7m. The Assembly’s requirement equates to 86p per Band D council tax payer and the Mayor’s to £28.80 (£8.80 excluding the Olympic precept).

Indicative Calculation	Budget	Plan	Plan
Mayor and Assembly Council tax requirements	2012-13	2013-14	2014-15
	£m	£m	£m
Mayor’s Budget Requirement	131.8	128.8	128.3
Less share of GLA general grant (89.6 per cent)	-44.7	-41.3	-39.8
Mayor’s Council tax requirement	87.1	87.5	88.5
Assembly’s Budget Requirement	7.7	7.1	6.5
Less share of GLA general grant (10.4 per cent)	-5.1	-4.8	-4.6
Assembly’s Council tax requirement	2.6	2.3	1.9
Council tax requirement for Mayor and Assembly combined	89.7	89.8	90.4

GLA Contribution to the Funding of Crossrail

- 2.29 The funding arrangements for Crossrail provide for the Mayor to borrow £3.5bn towards its costs between 2010-11 and 2014-15 of which £800m was borrowed early in 2010-11 and £700m is scheduled to be borrowed in 2011-12 (of which £600m has been drawn down to date via a bond issuance). The debt is due to be taken out by the Mayor according to the following profile which was reapproved as part of TfL's settlement in the Comprehensive Spending Review.

Section 2 – Greater London Authority: Mayor of London

	2010-11	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
GLA borrowing	800	700	700	800	500

- 2.30 The financing and repayment of this £3.5bn of borrowing is being funded through a supplement on non-domestic ratepayers in London. Under the powers granted to the GLA in the Business Rate Supplements Act 2009 this may be levied at a rate of no more than 2p in the pound and only on properties with rateable values above £50,000. The Mayor confirmed in January 2010 that the Crossrail Business Rate Supplement (BRS) would be levied at a rate of 2p on non-domestic hereditaments with a rateable value above £55,000. This policy was maintained for both 2010-11 and 2011-12.
- 2.31 A further £600m – representing the amount estimated to be generated by the Crossrail BRS exceeding the GLA’s financing costs during the construction period – will be used as direct financing towards Crossrail’s construction costs. Approximately £119m is scheduled to be paid to TfL through the direct BRS contribution in 2012-13. As a result the total GLA contribution for 2012-13 is budgeted to be £819m (£700m financed by borrowing in addition to the £119m direct contribution).
- 2.32 The Mayor will approve the final policies for the Crossrail BRS for 2012-13 in January 2012 although these are expected to be unchanged from those for 2011-12. Under legislation the reliefs policies will apply on the same basis and at the same rate as for National Non Domestic Rates. The 2012-13 GLA budget reflects the effect of the expected BRS cash flows. The GLA has budgeted for an expected £101m in interest costs on its borrowing for 2012-13 in respect of its Crossrail contributions.
- 2.33 All BRS income received is held in a dedicated ring fenced account and is only used to finance the Crossrail project. The option of a bond issuance to raise the additional sums required to support Crossrail was utilised in July 2012, rather than through borrowing from the traditional Public Works Loan Board route. It is estimated that the lower financing costs compared to PWLB rates at that date will save the business rate payer around £65m over the life time of the BRS which exceeds the entire forecast tax take in 2011-12 from the 20 outer London boroughs combined.
- 2.34 The proposed community infrastructure levy (CIL) to finance Crossrail is scheduled to be introduced from 2012-13 subject to formal approval by the Mayor. It is estimated that the CIL will raise up to £300m to finance the project although at this stage it is not possible to predict with certainty the revenues likely to be raised in its first year. The CIL will be collected on the Mayor’s behalf by the 33 London collecting authorities (i.e. the 32 London boroughs and the Corporation of London). CIL revenues – which will be paid to Transport for London – are not reflected in the budget at this stage having regard to this uncertainty around the size of the revenue stream but there will be no financial impact on the council tax or budget requirement for the Mayor as levy receipts from the 33 London collecting authorities will match contributions paid to TfL to finance Crossrail net of allowable administration expenses.

Section 2 – Greater London Authority: Mayor of London

Olympic Precept

- 2.35 The second most significant single area of revenue expenditure by the GLA apart from Crossrail remains that for the financial agreement to support the 2012 Olympic and Paralympic Games (£60.4m in 2012-13) to be raised through a Council Tax precept of £20 a year for a Band D household. The actual amount collected via the £20 precept will depend on the London wide council tax base for 2012-13 which will be confirmed to the GLA by the 32 London boroughs and the Common Council of the City of London at the end of January 2012.

London Local Enterprise Partnership

- 2.36 The London Enterprise Partnership (LEP) will oversee the distribution of both the business rate growth from the proposed Royal Docks Enterprise Zone (EZ) from April 2013 and the £39.4m awarded to London from the Government's Growing Places Fund (GPF) in 2011-12. In both cases, the GLA will be the accountable public body for the funds. The revenue budget assumes £0.8m of support to the LEP in 2012-13 financed primarily using the revenue element of the Growing Places Fund. Depending on decisions taken by the LEP in practice this £0.8m sum may be applied over a number of years. At this stage the budget does not include estimates of the revenue which the LEP will receive from the growth in business rates revenues from the Royal Docks Enterprise Zone in 2013-14 and 2014-15 due to the uncertainty around the level of the income stream which will be generated at this stage. Current estimates suggest, however, that the aggregate growth retained by the LEP in these two years will not exceed £1m.

Former LDA functions

- 2.37 During the course of 2011-12, the following LDA teams and their associated functions are transferring over from the LDA to the GLA:
- Diversity Works for London;
 - London Ambassadors Programme and Welcome to London;
 - European Programmes Management Unit;
 - Youth and Volunteering Team;
 - Olympic Skills and Employment Programme;
 - Climate Change Programme;
 - Capital Projects and Design Unit;
 - ESF Delivery Unit; and
 - Land and Development Unit.
- 2.38 These activities will form the core of the GLA's economic development delivery going forward. It should be noted that some of the functions - particularly those which are Olympic related - are time limited while others are dependent on the identification of suitable funding streams.

Section 2 – Greater London Authority: Mayor of London

Museum of London

- 2.39 The budget estimates also include a revenue grant contribution to the Museum of London (£7.6m in 2012-13): this reflects the Mayor's role of co-sponsor along with the Corporation of London. This has been increased by £0.2m compared to the consultation budget and by £0.8m and £1.4m in 2013-14 and 2014-15 respectively. This excludes a further £1.3m of capital funding in 2012-13 (declining to £0.7m by 2014-15) which is provided to the Museum as set out in the capital spending plan in **section 10**. The Museum's total combined grant from the GLA for 2012-13 will therefore be £8.9m.

HCA London

- 2.40 The transfer of HCA's London role and responsibilities will provide the Mayor with a new lead role for housing in the capital. From April 2012 the Mayor will take responsibility for delivering affordable homes, improving council owned homes through the Decent Homes programme, and a number of other budgets, such as empty homes, the mortgage rescue scheme, and homelessness projects. In addition the Mayor will inherit a land and property portfolio, most of which will be used to deliver new homes.
- 2.41 Bringing together the Mayor's strategic policy role together with direct responsibility for housing investment programme budgets and land assets, will mean better co-ordination of the Mayor's housing objectives and the ability to align wider social and economic goals and other major infrastructure investment opportunities. These new arrangements will also mean the Mayor is better placed to support London boroughs in the achievement of their housing and regeneration ambitions.

Other Expenditure

- 2.42 The GLA will contribute £14m in 2012-13 towards London and Partners in line with the four year funding deal approved by the Mayor for that body. The 2012-13 budget also allocates £1.5m to support the activities of the London Waste and Recycling Board.
- 2.43 The Directorate budgets also include an estimated £35m of programme related net expenditure in respect of core GLA and transferring LDA functions. This includes £8.3m of funding for pan London rough sleeping initiatives, £2m for London 2012 and £3m in respect of Events. A further £3m (£6m gross of European Social Fund grant) is allocated to support projects for young people including apprenticeship schemes and other initiatives to provide them with the skills needed to access employment.

Equalities Impact

- 2.44 The proposals for the Mayoral component budget are not expected to result in an adverse equalities impact. Each of the staffing reduction proposals planned will be subject to an equalities impact assessment in the normal way following input from the Human Resources team. The non-staff savings being proposed represent administrative efficiencies - for example a reduction in the foreign travel budget - which will not have an adverse equalities impact. Similarly, the additional resources required as a result of the devolution programme seek to bolster equalities considerations - for example the incorporation of Diversity Works into the GLA's work programme - rather than detract from them.

Section 2 – Greater London Authority: Mayor of London

Reserves

- 2.45 At 31 March 2012 the GLA's general reserves balance is expected to total £40.2m comprising in the main surpluses relating to the transfer of the LDA including transition funding. This balance is now forecast to increase to £40.3m by 31 March 2013 (including the 2012-13 council tax freeze grant of £27.7m) under the budget proposals for 2012-13 and fall to £8.2m by the end of 2013-14. The general reserve will be used to support projects transferring from the LDA in 2012-13. In addition the GLA is forecast to hold £32.7m of earmarked reserves at 31 March 2012 and £14.7m at 31 March 2013 – which includes the £0.7m Assembly Development and Resettlement Reserve. The expected movements in reserves over the planning period are set out in the table below:

Movement in GLA reserves During Financial Year	Budget 2010-11	Forecast 2011-12	Budget 2012-13	Plan 2013-14	Plan 2014-15
	£m	£m	£m	£m	£m
Opening balances	38.8	52.8	72.9	65.1	37.8
Transfers to/from:					
Election Reserve	5.0	-2.1	-7.8	4.8	4.2
Other earmarked reserves	8.8	-13.9	-0.1	0.1	0.3
General reserves	0.2	36.1	0.1	-32.2	-3.9
Closing balances	52.8	72.9	65.1	37.8	38.4

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

Total GLA reserves at end of financial year	Outturn 2010-11	Forecast 2011-12	Budget 2012-13	Plan 2013-14	Plan 2014-15
	£m	£m	£m	£m	£m
Elections Reserve	15.3	13.1	5.2	9.9	14.2
Other Earmarked reserves	33.4	19.6	19.6	19.7	19.9
General reserves	4.1	40.2	40.3	8.2	4.3
Total	52.8	72.9	65.1	37.8	38.4

- 2.47 The most significant uneven area of non Crossrail expenditure over the period is the cost of GLA elections, and this accounts for one of the more significant year-on-year changes in the level of net revenue expenditure. This is managed through the use of reserves and each year the GLA transfers a provision of around £5 million into an Elections Reserve to meet the cost of the GLA elections and possible by-elections. The annual costs incurred are met by drawing on this reserve. The Elections Reserve as at 31 March 2012 is estimated to be £13.1m and will be reduced by £7.9m during the year in order to fund the 2012 Mayoral and Assembly Elections. The forecast balance on Elections reserve at the end of March 2013 is £5.2m.
- 2.48 In addition to the general reserves, the 2012-13 budget proposals include a GLA group wide contingency provision of £11.8m. The mechanism for allocating this contingency will be determined once the full impact of the final GLA settlement and council tax base data for 2012-13 has been assessed.

Section 3 – 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 or Assembly Members, of goods or services procured solely for the purposes of the Assembly and of the support provided by the Assembly to London TravelWatch, the watchdog for transport users in and around London.

Role of the Assembly

- 3.2 The aims of the Assembly are to:
- Hold the Mayor of London effectively to account;
 - Conduct effective investigations into issues that matter to Londoners;
 - Represent the views of Londoners and raise issues of concern on their behalf; and
 - Sponsor and monitor London TravelWatch.

Key deliverables

- 3.3 The Assembly Secretariat has seven objectives to guide its work:
- To support the Assembly and its committees to enable them effectively to hold the Mayor to account, including the establishment in early 2012 of the Assembly's Police and Crime Committee to scrutinise the work of the Mayor's Office for Policing and Crime;
 - To support the Assembly and its committees to conduct effective investigations into issues of importance to Londoners;
 - To support Assembly Members in relation to their representative and constituency roles;
 - To raise the profile of the work of the Assembly and enhance its positive reputation among Londoners;
 - To support the effective governance of the GLA, including support for the work of the Monitoring Officer;
 - To support the Assembly in carrying out its statutory duties towards London TravelWatch; and
 - To support the Greater London Returning Officer in the effective planning and management of the Mayoral and London Assembly elections.

Budget requirement

- 3.4 The Assembly's budget requirement for 2012-13 is **£7.7m**. This is £0.25m or 3 per cent lower than that in 2011-12 on a like for like basis.

Section 3 – Greater London Authority: London Assembly

Summary of Proposed Budget

- 3.5 The proposed income and expenditure for 2012-13 and future years are set out in the table below:

Service analysis	Budget	Forecast	Budget	Budget	Budget
	2011-12	outturn	2012-13	Plan	Plan
	£m	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Assembly Members	1.7	1.7	1.7	1.7	1.7
Member Services	2.4	2.4	2.3	2.3	2.3
Scrutiny & Investigations	1.1	1.1	1.2	1.2	1.2
Committee Services	0.5	0.5	0.5	0.5	0.5
External Relations	0.3	0.3	0.3	0.3	0.3
Director/Business Support	0.5	0.5	0.5	0.5	0.5
Elections & Special Projects	0.1	0.1	0.0	0.0	0.0
London TravelWatch	1.4	1.4	1.2	1.2	1.2
Savings to be identified	-	-	-	-0.6	-1.2
Net service expenditure	8.0	8.0	7.7	7.1	6.5
Interest receipts	-	-	-	-	-
Net revenue expenditure	8.0	8.0	7.7	7.1	6.5
Transfer to/ from reserves	-	-	-		
Budget requirement	8.0	8.0	7.7	7.1	6.5
GLA General grant (share)	-4.7	-4.7	-5.1	-4.8	-4.6
Council tax requirement	3.3	3.3	2.6	2.3	1.9

Note: The forecast plan for 2012-13 represents the current estimated full year cost of functions covered by the budget proposals for the Assembly and includes additional support for its new scrutiny functions in respect of the MOPC. The level of the General GLA Grant and its phasing over the period 2013-14 to 2014-15 is not yet known and therefore the exact level of resources available to fund the London Assembly's activities (as applies for the Mayor of London's element of the GLA budget) remains uncertain. The Council tax requirement for 2011-12 is notional and is for illustrative comparative purposes only.

Council tax requirement

- 3.6 As set out in section 2, deducting the respective GLA general grant shares for the Mayor and Assembly having regard to their respective 2012-13 budget requirements results in an indicative council tax requirement for the Assembly of £2.6m in 2012-13. The Assembly's requirement equates to 86p per Band D council tax payer.

Section 3 – Greater London Authority: London Assembly

Explanation of budget changes

3.7 The changes in 2012-13 relative to 2011-12 can be summarised as follows:

Changes in the Assembly's spending plans	2012-13
	£m
2011-12 adjusted budget requirement	8.0
<i>Changes due to:</i>	
Inflation	0.0
Savings and efficiencies	-0.3
2012-13 Budget requirement	7.7

Changes in the Assembly's spending plans	2012-13
	£m
2011-12 notional council tax requirement	3.3
<i>Changes due to:</i>	
Inflation	0.0
Savings and efficiencies	-0.3
Other (including changes in financing)	-0.4
2012-13 council tax requirement	2.6

Inflation

3.8 No provision has been made for inflation in 2012-13, as there is a public sector pay freeze and the Assembly will need to contain any non-pay inflation.

Savings and efficiencies

3.9 The Assembly budget incorporates savings of £0.3m in 2012-13. The Mayor has decided not to seek further savings beyond those already identified by the Assembly for 2012-13. The Mayor will look to the Assembly to make additional savings in 2013-14 and 2014-15 to reflect the level of reduction in General Grant the GLA has been warned by the DCLG to expect. These additional savings have been included in the Assembly budget projections for 2013-14 and 2014-15.

Equalities Impact

3.10 The Assembly's budget proposals have been compiled with equalities issues as a key consideration. The additional posts arising from the work of the Police and Crime Committee will have the scrutiny of community safety equalities issues as one of their key roles. Similarly, London TravelWatch is ensuring that the efficiencies it has been asked to implement are achieved without adverse equalities impacts. All other Assembly proposals are related to administrative efficiencies and do not have an adverse equalities impact.

Reserves

3.11 The GLA's budget includes an earmarked Assembly development and resettlement reserve of £0.7m as at the beginning of 2012-13. This will be partially utilised in 2012-13 as a result of the Assembly elections in May.

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

- 4.1 The primary role of the Metropolitan Police Service (MPS) is to cut crime and the fear of crime in London. Further, in its national and international duties, to keep the Queen’s peace, it has to ensure that the service is ‘Here for London’. In focusing on core policing outcomes, the Commissioner of the MPS has set out three clear aims:
- to cut crime;
 - to cut costs; and
 - to continue to develop the culture of the MPS .
- 4.2 In achieving these aims the Commissioner has committed to Total Policing – a total war on crime, total support of victims and total professionalism from MPS staff. This approach focuses on crime prevention, on targeting offenders, on supporting victims and on building on the support and trust of law abiding Londoners.
- 4.3 In policing the changing needs of the capital the MPS faces challenging times and a very real shift in its operating environment. The MPS is mobilising the UK’s largest ever peacetime safety and security operation to deliver a successful Olympic and Paralympic Games in 2012. At the same time the MPS is working to shape a future policing model that reflects significantly reduced budgets and the emerging demands on its services. In doing this, core functions and structures are being reviewed to enable the delivery of key objectives, protect operational capacity and ensure the force has the ability to provide rapid deployment of capacity to meet the new challenges of public order policing.
- 4.4 To deliver this change the MPS is focused on reducing the costs of inanimate objects and non-staff costs quickly and delivering an effective business and operational model at least cost through process improvements. In this context, the Mayor has required that budget plans be prepared on the basis that officer numbers are maintained at the current budgeted level. At this stage in the budget process there is still work to be finalised to balance the 2012-13 budget and final proposals will be brought forward in the new year once the final Government settlement including Olympic security funding is confirmed.

Comprehensive Spending Review and 2012-13 Provisional Local Government Finance Settlement

- 4.5 The Comprehensive Spending Review in October 2010 confirmed that the Government intended to implement a 20 per cent real terms reduction (or 12 per cent in cash terms) in the grant funding provided to police authorities in England and Wales by 2014-15 compared with the 2010-11 base position (after adjusting for the in year cuts to Home Office specific grants made in 2010-11). Overall this would reduce police funding nationally from £9.7 billion to £8.5 billion.

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

- 4.6 On 8 December the Government announced the provisional local government finance settlement and the Home Office police grant allocations for individual police authorities for 2012-13. These allocations are unchanged from the indicative figures for 2012-13 published alongside the final local government finance settlement for 2011-12 approved by Parliament. The final MOPC grant settlement is expected to be confirmed before the end of January 2012 and will be reflected in the final draft budget.
- 4.7 The MOPC’s provisional general grant allocation for 2012-13 is £1,889.8m (comprising £838.2m in DCLG formula grant primarily financed from business rates and £1,051.6m in Home Office police grant funded from general taxation). This represents a reduction compared to 2011-12 of £135.8m (6.7 per cent) on a like for like basis which is in line with the uniform percentage reduction applied to all police authorities nationally in respect of their general grant.
- 4.8 The Home Office Counter-Terrorism and Dedicated Security Post grant allocations are still to be confirmed for 2012-13 and the consultation budget reflects the latest intelligence on these. The MOPC has also been allocated £101.3m through the Neighbourhood Policing (PCSO) specific grant that is paid on an unringfenced basis.
- 4.9 The budget is based on indicative announcements already made on police grant for 2013-14 and 2014-15 and assumes that the reduction in formula grant for the MOPC in those years will be the same as the forecast national percentage average. In 2013-14 the Neighbourhood Policing (PCSO) specific grant will end and be transferred into formula grant. This will have the effect of increasing the total general grant in cash terms compared to 2012-13, although there will be a like for like reduction of 3 per cent allowing for the funding change.

Key Deliverables

- 4.10 In the light of the reduction in grant funding from the Government, the MPS has set the following key corporate objectives and deliverables for 2012-13:

Safety

- To reduce victimisation by: identifying, managing and protecting vulnerable individuals and groups; improving support to victims and witnesses; and prioritising repeat victims and service users and problem solving to prevent escalation;
- To target the most harmful offenders by: implementing harm and risk based offender management; seizing assets from criminals; and with our partners improving criminal justice outcomes;
- To reduce crime with particular reference to problem locations by: prioritising and pro-actively managing hotspots and major events; and preventing and designing out crime through partnership problem solving ; and
- To prevent terrorism and violent extremism by: stopping people becoming or supporting terrorists; stopping terrorist attacks; strengthening our overall protection against such attacks; and mitigating the impact of terrorist attacks where we cannot stop them.

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

Confidence

- To improve the quality of our engagement with the public by: understanding and responding to public priorities; engaging in community problem solving to reduce crime; and communicating effectively across London and informing communities about crime and policing issues;
- To improve individual access to police services by: enhancing our customer contact and information channels; and effectively directing users through the right contact channel;
- To improve response policing and the satisfaction of service users by: improving the quality of our emergency and non-emergency response; and improving our service standards and users satisfaction in all customer contact; and
- To improve the quality of individual interactions with the public by: delivering a consistent high quality individual service and improving each user experience; and providing a visible and accessible professional police presence in our communities.

Olympics

- With partners to prepare for and deliver, as far as is practical, a safe and secure Olympic and Paralympic games by: designing and implementing National Olympic Security Co-ordination; ensuring effective MPS engagement and representation within the Security Programme; and implementing a strategy and plans for policing London that ensures a safe and secure and cost effective Games;
- To minimise, as far as is practical, the impact on policing London during Games time by ensuring the MPS is able to resource the Olympic plan effectively with sufficient staff without undue impact on core policing business; and
- To ensure that opportunities for legacy and learning are seized and acted upon by: delivering the MPS Thames Gateway Programme; and maximising organisational learning from delivering a safe and secure Games.

Value for Money

- To deliver efficient and effective support services at the lowest possible unit cost by: enhancing our business processes to improve service delivery; reducing the unit cost of service delivery; and developing the Met’s Corporate Governance processes;
- To reduce the cost of assets and services by: improving estate utilisation; providing flexible, good value technology; continuing to drive efficiencies through effective Procurement; and responsible and sustainable management of resources;
- To make the most productive use of our operational people and do all that we can to maintain operational capacity by: improving the recruitment, skills and professional capability of our people; improving operational deployment; realigning resource use to meet demand; accelerating operational efficiencies; and delivering quality, secure and accessible police information.

More details of the MOPC’s spending on the 2012 Games are set out at Appendix F.

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

Budget and Council tax requirements

- 4.11 The Mayor’s Office for Policing and Crime's **gross expenditure** in 2012-13 is estimated to be **£3,471.8m**. After deducting fees, charges, specific grants, other income and use of reserves, **the budget requirement is £2,601.2m** and **the council tax requirement** (after deducting general grants) **is £711.4m**. The **council tax requirement is around £24m higher than that for 2011-12** (a £31.8m increase in resources provided by the Mayor through the council tax precept to the MOPC offset by a £7.9m reduction in the contribution made from the surplus made by boroughs and shared with the GLA in respect of their council tax collection funds). It is important to note that this budget is based on work in progress by the MOPC and in particular the need to close the MOPC’s estimated remaining budget shortfall in 2012-13 of £85.5m.

Inflation

- 4.12 Inflation is budgeted to add £2m to the MOPC’s costs in 2012-13. This reflects the impact of changes in contract prices, includes additional amounts for contractual non-pay inflation and assumes a pay freeze for officers and staff in line with Government policy.

Net growth in existing services and programmes

- 4.13 The net growth in existing services and programmes in the 2012-13 budget compared to the 2011 London Policing Plan is £40.9m. This is set out in more detail in Appendix B.

New initiatives and service improvements

- 4.14 New initiatives and service improvements add £63.1m to the 2012-13 budget. Of this £34.4m relates to the Mayor’s commitment to maintain police officer numbers at existing levels.

Savings and efficiencies

- 4.15 The budget includes additional cashable savings and efficiencies totalling £51.8m in 2012-13 compared to the current policing plan. These are set out at Table 2 in Appendix B. This includes information to enable the effect of savings proposals on operational capacity to be assessed.

Changes in general and specific grants

- 4.16 The budget includes a net year on year reduction in general and specific grants of £75.6m in 2012-13 (excluding the £5.4m community safety grant transferred being transferred from the GLA to MOPC). This is due primarily to the £136m reduction in general Government grant offset by additional funding provided for the 2012 Olympic and Paralympic Games and related security costs and other changes.

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

Explanation of budget changes

- 4.17 A summary illustrating the key changes in 2012-13 to the 2011-12 budget and council tax requirements are set out below. These represent the aggregate movements compared to the approved figures in the Policing London Business Plan issued in March 2011.

Changes in the Police Authority's budget requirement	2012-13 £m
2011-12 Budget requirement	2,713.0
<i>Changes due to:</i>	
Inflation	2.0
Net growth in existing services and programmes	9.8
New initiatives and service improvements	63.1
Savings and efficiencies	-51.8
Changes in specific grants	-65.5
Transfer from Reserves	16.9
Community safety functions transfer to MOPC (indicative)	7.2
Other adjustments (collection fund surplus removal of £8m)	-8.0
Savings to be identified	-85.5
2012-13 Budget requirement	2,601.2

Changes in the Police Authority's council tax requirement	2012-13 £m
2011-12 Council tax requirement	687.5
<i>Changes due to:</i>	
Inflation	2.0
Net growth in existing services and programmes	9.8
New initiatives and service improvements	63.1
Savings and efficiencies	-51.8
Changes in specific grants	-65.5
Changes in general grants (Home office police and DCLG formula grant)	135.7
Transfer from Reserves	16.9
Community safety functions transfer to MOPC (indicative)	7.2
Other adjustments (collection fund surplus removal of £8m)	-8.0
Savings to be identified	-85.5
2012-13 Council tax requirement	711.4

- 4.18 The table below compares the MOPC’s budget and forecast for 2011-12 with the proposed budget for 2012-13 and indicative plans for future years on an objective basis. Table 1 in Appendix B contains the presentation of the budget on a subjective basis.

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

Service analysis	Revised Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Business Groups:					
Territorial Policing	1,438.8	1,455.9	1,382.8	1,335.5	1,301.1
Specialist Crime Directorate	442.3	437.2	427.9	422.4	418.5
Specialist Operations	270.5	270.8	265.5	260.0	253.8
Central Operations	221.3	218.5	217.5	212.2	212.3
Olympics	46.5	41.6	106.6	0.0	0.0
Resources Directorate	353.7	351.3	358.9	340.6	338.1
Directorate of Information	210.0	210.9	210.0	212.6	213.6
Directorate of Public Affairs	6.9	6.9	6.9	5.9	5.9
Deputy Commissioner’s Portfolio	98.1	95.5	91.3	87.7	86.3
Total Business Groups	3,088.1	3,088.6	3,067.4	2,876.9	2,829.6
Discretionary Pensions Costs	33.1	33.1	33.1	33.1	33.1
Centrally held budgets	111.0	104.4	87.1	114.9	200.4
Capital financing costs	53.5	47.6	56.5	59.7	62.9
Interest receipts	-0.8	-0.8	-0.8	-0.8	-0.8
Specific grants	-495.3	-488.3	-559.2	-340.0	-333.4
Savings to be identified	0.0	0.0	-85.5	-144.8	-226.2
Total Corporate Budgets	-298.5	-304.0	-468.8	-277.9	-264.0
Metropolitan Police Authority/ Mayor’s Office for Police and Crime	12.7	12.0	21.7	16.2	15.6
Net revenue expenditure	2,802.3	2,796.6	2,620.2	2,615.2	2,581.2
Transfers to/from reserves	-89.3	-83.6	-19.0	-5.4	-1.4
Budget requirement	2,713.0	2,713.0	2,601.2	2,609.8	2,579.8
Less formula/police grant	-2,025.5	-2,025.5	-1,889.8	-1,928.5	-1,899.1
Council tax requirement	687.5	687.5	711.4	681.3	680.7

Note: Figures may not sum exactly due to rounding

- 4.19 The MOPC figures for 2012-13 onwards in the table above include £1.8m to be transferred from the GLA in respect of its community safety functions and programmes. This differs by £0.3m from the £2.1m in the consultation budget. It is financed through a corresponding uplift to the MOPC’s council tax requirement and a reduction in the GLA’s. An updated transfer estimate will be reflected in the Mayor’s draft consolidated budget. The transferred sum reduces to £1.7m in 2013-14 and £1.1m in 2014-15.
- 4.20 The table also includes in the MOPC line, the estimated £5.4m which the MOPC is expected to receive via the Home Office community safety specific grant from 2012-13. This was reflected in the GLA section in the consultation budget. In 2011-12 the grant was paid to the GLA via the local services support grant and distributed entirely to London boroughs in proportion to their 2010-11 allocations. This grant continues to be reflected within the GLA’s budget in section 2 for 2011-12 only (£10.4m).

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

- 4.21 It will be for the MOPC to determine how the Community safety grant funding is distributed. No grant figures are included for 2013-14 or 2014-15 (either as expenditure or income) as the Home Office has still to confirm whether this funding stream will continue beyond 2012-13. Due to the combined effect of these changes the MOPC budget has increased by a net £5.1m compared to the consultation budget – financed by a £5.4m increase in specific grant income offset by a £0.3m reduction in its council tax requirement.

Delivering a balanced budget

- 4.22 The MPA considered budget proposals at its November meeting and identified a budget gap of £85.5m after taking into account the additional £30m to be provided via the precept (excluding the community safety function transfer from the GLA) and the Mayor’s commitment to maintain police officer numbers at existing levels.
- 4.23 The Mayor has committed to allow the Met to have sufficient resources to maintain police officer numbers at higher levels than when he came into office. The budgeted police officer establishment is forecast to be 32,320 at 31 March 2012 which is higher than the 31,398 in post in April 2008.
- 4.24 Following negotiations, the Mayor anticipates that the MOPC’s budget shortfall of £85.5m in 2012-13 will be fully covered by additional grant from the Government for policing. Formal confirmation has yet to be received and therefore the MOPC’s budget proposals in this Document have not been updated for this grant. Work continues at the MOPC to develop further savings options and to respond to emerging financial pressures. Full details of the additional grant and any changes to the detail of the MOPC’s spending plan will be set out in the Mayor’s final draft budget to be published on 1 February.

Equalities duties

- 4.25 The planning framework for 2012-15 helps to ensure that equalities and diversity implications are properly reflected in budget and business plans having regard to the MOPC and MPS’s Diversity and Equalities strategy. Throughout the planning process Business Groups have been encouraged to consider the impact they have on internal and external communities and therefore develop activities that reflects the Service's commitment to equality and diversity issues. An Equality Impact Assessment on the final Policing London Business Plan 2012-15, based on an assessment against its corporate objectives and against key equalities and diversity issues will also be undertaken.

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

Reserves

- 4.26 There is no statutory guidance on police authority reserves, and there never has been an accepted case for introducing a statutory minimum level of reserves, even in exceptional circumstances. CIPFA guidance issued in November 2008 confirms that authorities, on the advice of their Treasurer, should make their own judgements on such matters. The MOPC budget estimates include a general reserves and emergency contingency fund of 1.5 per cent of net budgeted expenditure by the end of 2012-13. Total estimated reserves for the MOPC/MPS over the period are summarised below. The planned use of reserves in 2012-13 is shown in the table below. The reserves estimates for 2013-14 and 2014-15 are still to be determined.

MOPC Reserves Movement During Year	Outturn 2010-11	Forecast 2011-12	Budget 2012-13
	£m	£m	£m
Opening balances	256.4	269.6	127.7
Transfers to/from:			
Earmarked reserves	13.2	-128.9	-16.9
General reserves	0.0	-13.0	-11.0
Closing balances	269.6	127.7	99.8

- 4.27 Total estimated reserves for the MOPC/MPS over the period are summarised below.

MOPC reserves End of financial year	Outturn 2010-11	Forecast 2011-12	Budget 2012-13
	£m	£m	£m
Emergency Contingencies Fund	23.1	23.1	23.1
Earmarked reserves	124.0	56.8	45.2
General reserves	47.5	34.5	23.5
Budget Pressures	75.0	13.3	8.0
Total	269.6	127.7	99.8

Note: The budget pressures reserve is being used to facilitate the re-organisation of the MPS/MOPC.

August 2011 disturbances

- 4.28 The forecast for the additional costs of policing the recent disturbances reported at the November meeting of the MOPC was £90m although the current estimate is that this has fallen to £78m based on the report considered by its Finance and Resources Committee on 15 December. In addition, the value of the claims reported as having been received at the date of the November MPA meeting under the Riots Damages Act (RDA) was £198m (£16m of uninsured claims and £182m of insured claims), with an additional £91m of claims related to non-RDA activity such as consequential losses. The overall cost of RDA claims has subsequently risen and is now estimated to be up to £300m. These figures are subject to change as some claims only include provisional amounts.

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

- 4.29 The Home Office has indicated that applications for support from Police Authorities will be considered as special grant applications and Authorities will need to demonstrate the impact on the overall financial position of their Force. The potential liability relates to the value of claims paid to insured businesses by insurers and under-insured claimants. The Home Office will reimburse the full cost of claims from uninsured businesses and individuals to the MOPC.
- 4.30 The current planning assumption is that costs from insured claims and additional policing costs will be met in full by the Government. To the extent that any of the costs of the policing operation and the insured RDA claims fall to be met by the MOPC, the financial flexibility for dealing with future budget gaps will be significantly reduced.

Section 5 – 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. LFEPA has achieved significant fire reduction improvements through the strategies in its London Safety Plan.
- 5.2 The fourth London Safety Plan (LSP 4) for 2010-11 to 2012-13 was approved by LFEPA in March 2010. The two key elements of the Plan are to maintain the service's current focus and to further improve the safety of London and Londoners. This budget ensures that LFEPA is able to continue to deliver the Authority's priorities in the Safety Plan in 2012-13. A fifth London Safety Plan is in development which will be in place for the start of the 2013-14 financial year. This plan will set out the Authority's proposals for maintaining operational cover and resilience in a challenging environment.
- 5.3 The Comprehensive Spending Review confirmed that the Government intended to implement a 25 per cent real terms reduction in the grant funding provided to fire authorities in England by 2014-15 compared to the 2010-11 base position. This was to be back-loaded to the second half of the Spending Review period (2013-14 and 2014-15).
- 5.4 In making savings the Government also encouraged fire authorities to focus on the following seven areas:
- Flexible staffing arrangements;
 - Improved sickness management;
 - Pay restraint and recruitment freezes;
 - Shared services/back office functions;
 - Improved procurement;
 - Sharing Chief Officers and other senior staff; and
 - Voluntary amalgamations between Fire and Rescue Authorities.
- 5.5 LFEPA has implemented a number of initiatives within these areas and introduced new working patterns for over 4,000 staff in May 2011. The Human Resources strategy agreed by the Authority in January 2011 identifies actions to address both short and long term sickness and changes that will deliver cashable savings and enable the organisation to provide key services while reducing its cost base. Shared services arrangements are being put in place for a number of back office functions, including democratic services and payroll provision and LFEPA has recently decided to outsource its training function.

Section 5 – London Fire and Emergency Planning Authority

- 5.6 On 8 December the Government announced the provisional local government finance settlement for individual fire authorities for 2012-13. These allocations are unchanged from the indicative figures for 2012-13 published alongside the final local government finance settlement for 2011-12. LFEPA's provisional formula grant allocation for 2012-13 is £252.1m which represents a £0.4m or 0.2 per cent increase on a like for like basis compared to 2011-12. LFEPA is no longer at the grant funding floor as a result of changes made to the national fire distribution formula introduced in 2011-12. This is reflected in that fact that it will receive a better settlement in comparative terms than the average for English fire authorities (a 0.7 per cent like for like reduction) and other metropolitan fire authorities (a 3 per cent reduction year on year) in 2012-13.
- 5.7 LFEPA's formula grant allocation for 2011-12 included a £550,000 baseline adjustment for the funding provided to London boroughs in relation to their resilience work. LFEPA will continue to support London's local authorities in this work in 2012-13 by providing the mechanisms by which the capital's 33 local authorities respond collectively to regional events, managing the work of the Local Authorities' Panel and through undertaking regional planning work and training in support of boroughs. This work will also include supporting local authority Olympic work: supporting infrastructure such as the London Local Authority Olympic Co-ordination Centre and maintaining the Local Authority Gold Arrangements. The aggregate Fire and Rescue revenue specific grant has been provisionally confirmed as £7.7m for 2012-13. The final LFEPA grant settlement is expected to be confirmed before the end of January 2012 and will be reflected in the final draft budget.
- 5.8 Further information on the assumptions around Olympics relating funding and expenditure are set out in Appendix F.

Key Deliverables

- 5.9 LFEPA's headline targets have two components. The first is the level of reduction that can reasonably be achieved by maintaining the current focus with the resources it has. The second is a 'stretch target'. The stretch targets are more challenging and are likely to require substantial changes to the way LFEPA delivers its services, but will further improve the safety of London and Londoners if they can be achieved. There are no stretch targets for fire deaths or home safety visits as these are to be delivered over 10 years. The headline targets LFEPA set for the period to 2012-13 are to:
- reduce fires in the home by 2 per cent (without stretch) and by 6 per cent (with stretch);
 - reduce fires in non-domestic buildings by 10 per cent (without stretch) and by 19 per cent (with stretch);
 - reduce fire deaths by 8 per cent;
 - deliver 230,000 home fire safety visits, targeting those most at risk (so that by 2012-13 LFEPA will have completed over 395,000 home fire safety visits in total);
 - reduce fires of rubbish (with deliberate or unknown motive) by 38 per cent (without stretch) and by 43 per cent (with stretch);

Section 5 – London Fire and Emergency Planning Authority

- reduce false alarms from automatic fire alarm systems in non-domestic buildings by 10 per cent (without stretch) and by 22 per cent (with stretch); and
- reduce shut in lift incidents attended by 14 per cent (without stretch) and by 23 per cent (with stretch).

5.10 The fourth London Safety Plan is based on six aims and strategic objectives set out below.

- **Prevention** - engaging with London's communities to inform and educate people in how to reduce the risk of fires and other emergencies. The objectives are:
 - To reduce fires and the impact they have; and
 - To target people most at risk.
- **Protection** - to influence and regulate the built environment to protect people, property and the environment from harm. The objectives are:
 - To regulate buildings and other places to protect people from fire; and
 - To influence planners, designers and decision makers to improve safety for Londoners.
- **Response** - planning and preparing for emergencies that may happen and making high quality, effective and resilient responses to them. The objectives are:
 - To improve and deliver plans, developed with partners to address identified risks; and
 - To use resources in a flexible and efficient way arriving at incidents as quickly as possible.
- **Resources** - managing risk by using resources flexibly and efficiently and continuously improving the way public money is used. The objectives are:
 - To minimise costs and provide value for money for Londoners, working with others; and
 - To manage performance and continuously improve service delivery.
- **People** - working together to deliver high quality services and to create a safe and positive environment for everyone. The objectives are:
 - To develop a positive and healthy culture with strong and effective leadership;
 - To embed ownership, responsibility and accountability at all levels of the organisation; and
 - To make sure staff have the right knowledge and skills to do their jobs.

Section 5 – London Fire and Emergency Planning Authority

- **Principles** - operating in accordance with values and ensuring that safety, sustainability, partnership and diversity run through all activities. The objectives are:
 - To work with others to keep people in London safe;
 - To increase the diversity of the workforce to ensure high quality services across London;
 - To continue to act in a more sustainable way; and
 - To continuously review working practices in order to keep the workforce safe.

5.11 The London Safety Plan also includes a range of key initiatives to further enhance and improve London’s fire and rescue service that are also represented in these budget proposals and some of those which will be implemented from 2012-13 are:

- To create five technical rescue centres strategically located across London which will be where fire engines and rescue equipment are grouped together to ensure LFEPA can maintain the highly specialised skills of staff to provide effective rescues;
- To deliver key priority projects including the Olympic and Paralympic Games. More details of LFEPA’s role in 2012 Games are set out at Appendix F;
- To implement the outsourcing of its training function; and
- To continue to look at ways in which LFEPA can deliver excellent services for less.

Budget and council tax requirements

5.12 The Fire Authority’s **gross expenditure for 2012-13** is estimated to be **£448.1m**. After deducting fees, charges and other income and the application of reserves, **the budget requirement for 2012-13 is £379.8m** and **the council tax requirement is estimated to be £127.7m**. The council tax requirement is £30m lower than that for 2011-12 reflecting a rebalancing of the precept with the MOPC whereas the budget requirement is £29.6m less reflecting the additional impact of the increase in LFEPA’s formula grant.

Explanation of budget changes

5.13 The changes in 2012-13 relative to 2011-12 for both the budget and council tax requirement are set out below.

Changes in the Fire Authority’s spending plans	2012-13
	£m
2011-12 budget requirement	409.4
<i>Changes due to:</i>	
Inflation	8.4
Net committed savings in existing services and programmes	-1.1
New Savings and efficiencies	-21.1
Changes in specific grants	0.0
Change in use of reserves	-15.8
2012-13 budget requirement	379.8

Section 5 – London Fire and Emergency Planning Authority

Changes in the Fire Authority's spending plans	2012-13 £m
2011-12 council tax requirement	157.7
<i>Changes due to:</i>	
Inflation	-
Net Committed savings in existing services and programmes	-
New initiatives and service improvements	-
New Savings and efficiencies	-
Change in specific grants	-
Change in use of reserves	-30.0
2012-13 council tax requirement	127.7

5.14 The table below compares income and expenditure by service area between 2011-12 and 2012-13 and future years.

Service analysis	Revised Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Community safety	37.7	37.4	35.4	36.2	37.2
Fire fighting and rescue	357.8	356.7	355.0	361.3	371.0
Fire-fighter pensions	17.4	18.2	17.9	18.7	19.3
Emergency planning	0.9	1.0	1.0	1.0	1.0
Central services	1.8	1.8	2.0	2.0	2.0
Savings to be agreed	0.0	0.0	0.0	-29.8	-64.0
Net service expenditure	415.6	415.1	411.3	389.4	366.5
Capital financing costs	11.5	11.1	11.0	11.0	10.9
External interest receipts	-0.8	-1.0	-1.6	-2.8	-3.1
Specific grants	-10.8	-12.4	-10.9	-10.9	-10.9
Net revenue expenditure	415.5	412.8	409.8	386.6	363.4
Transfer to/(from) general reserves	-6.1	-3.4	-30.0	0.0	0.0
Budget requirement	409.4	409.4	379.8	386.6	363.4
Less: Formula Grant	-251.7	-251.7	-252.1	-228.9	-205.7
Council tax requirement	157.7	157.7	127.7	157.7	157.7

Note: Figures may not sum exactly due to rounding

Inflation

5.15 Inflation is budgeted to be £8.4m in 2012-13. This includes the cost of known incremental pay progression and a provision for general price inflation on other non-staffing budgets.

Section 5 – London Fire and Emergency Planning Authority

Committed savings and growth in existing services and programmes

- 5.16 The full year effect of 2011-12 budget decisions and those items of expenditure which are unavoidable or to which the Authority is contractually committed reduces LFEPA's budget for 2012-13 and future years by £1.1m.

Savings and efficiencies

- 5.17 The budget includes savings and efficiencies of £21.1m in 2012-13, which represents 5 per cent of net revenue expenditure. These are summarised in Appendix C and include significant back office savings and efficiencies. These savings and efficiencies will help ensure that the front line service is maintained and improved to further reduce deaths and injuries from fire.

Operational officer numbers

- 5.18 As a result of LFEPA's initiatives, which are designed to enhance front line services delivered to the public, the number of fire-fighters is forecast to decrease by 12 (full time equivalents) by the end of 2012-13. The impact of the proposed initiatives is currently under discussion and may lead to further changes to the establishment in future years. These changes are designed to: carry forward LFEPA's continuing commitment to modernisation; achieve a professionally focused and supported fire and rescue service in London; and deliver value for money.

Equalities Duty

- 5.19 LFEPA has prepared an equality impact analysis to inform its budget plan which concludes that the savings proposals set out therein will have minimal impact on the Authority's ability to deliver services to diverse communities. It will seek to mitigate proposed reductions in specific areas by changes in working practices and the utilisation of partnership and third sector contacts.

Environmental Impact

- 5.20 The savings proposals have been reviewed for sustainability and environmental implications with consideration of the Mayor's strategies to promote improvement of the environment.

Reserves

- 5.21 LFEPA's reserves are projected to be £61.9m at March 2012 based on the current projected £2.8m underspend for 2011-12 and allowing for the expected drawdown of earmarked and general reserves to support the current year's budget. The Authority's policy is to maintain a general reserve of 2.5 per cent of the net requirement (£10.3m based upon the current forecast net revenue expenditure for 2011-12).
- 5.22 Having considered the needs of the fire service against the delivery of the Mayor's wider priorities, it is proposed to align LFEPA's reserves position closer to its target level. Therefore, £30m of the Authority's general reserves are to be drawn down in 2012-13 to support its budget.

Section 5 – London Fire and Emergency Planning Authority

- 5.23 Taking this change into account LFEPA is forecast to hold reserves at 31 March 2013 of £24.3m. This includes £11.9m of general reserves, which is £1.6m above the 2.5 per cent minimum target and £12.4m of earmarked reserves. The use of reserves in future years budgets will be kept under close review and will be considered as part of the Authority's future budget plans.
- 5.24 The first table below shows LFEPA's estimated movement in reserves and balances over the next three years. The second table shows the estimated total earmarked and general reserves at the end of 2011-12 and 2012-13.

Movement in LFEPA reserves During Year	Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Opening balances	53.5	66.7	61.9	24.3	24.3
Transfers to/from:					
Earmarked reserves	-	-1.5	-7.6	0.0	0.0
General reserves	-19.3	-3.3	-30.0	0.0	0.0
Closing balances	34.2	61.9	24.3	24.3	24.3

Breakdown of LFEPA reserves at end of financial year	Forecast 2011-12 £m	Budget 2012-13 £m
Earmarked Reserves:		
Firefighters' Pensions	1.8	0.7
PFI	0.6	0.6
Hydrants	1.3	1.3
Compensation	1.8	1.8
Maintenance & Minor Works	0.0	0.0
Sustainability	0.2	0.2
Salix	2.0	2.0
London Resilience	4.5	0.0
National Operational Guidance Programme	6.0	4.0
Pension Early Release Costs	1.8	1.8
Sub total earmarked reserves	20.0	12.4
General reserves	41.9	11.9
Total Reserves	61.9	24.3

Section 6 – Transport for London

- 6.1 Despite Transport for London (TfL) facing a significant reduction in its funding by 2014-15, the 2010 Spending Review secured vital investment for London's transport infrastructure and TfL's frontline services. The upgrade of the Tube and Crossrail continue as planned. London's bus network is protected. The Barclays Cycle Hire scheme will be extended. The South London line extension to Clapham Junction will be delivered.
- 6.2 TfL's Business Plan, published in March 2011 and covering the four years to 2014-15, set out its plans to modernise London's transport system, supporting the Capital's position as a world-class city and it remains on target to deliver all the milestones set out therein. The budget proposals set out in this consultation document reaffirms the Mayor's ongoing commitment to TfL's investment programme and in that context provides stability and continuity for customers, business groups and other stakeholders.
- 6.3 The Tube upgrades and Crossrail represent the backbone of TfL's investment programme. Once complete, the Tube upgrade programme will deliver a 30 per cent increase in capacity, and Crossrail will increase London's rail capacity by 10 per cent. The Tube is carrying record passenger numbers, and the figure is set to continue rising. The investment programme includes vital renewal works and upgrades to existing assets (trains, stations, track, civil infrastructure, lifts and escalators), which is key to increasing capacity and improving reliability.
- 6.4 Major works to increase capacity at key stations such as Victoria, Tottenham Court Road and Bond Street are now under way. In addition, a project to increase capacity and provide step-free access at Vauxhall has been brought forward to the current Business Plan period, with completion now planned for 2015, allowing the work to be undertaken at lower cost and supporting local development.
- 6.5 Construction of the cable car river crossing, which will now be known as the 'Emirates Air Line', linking the Greenwich Peninsula with the Royal Docks, has begun and will complete in 2012. Additional capacity is being provided on the busiest section of the Tramlink network between central Croydon and Beckenham Junction and Elmers End termini. Work has already started on the new South London Line to Clapham Junction, which will complete London's orbital railway and is due to open in 2012.

Meeting the challenges of TfL's CSR funding settlement

- 6.6 TfL's Business Plan to 2014-15 approved in March 2011 already contains significant savings and efficiencies. Since the Business Plan was published in March 2011, TfL has carried out its third annual Continuous Savings Exercise, and has made excellent progress towards meeting its £7.6bn net cumulative savings target to 2017-18. Around £5bn of these efficiencies result from measures that have already been implemented and are delivering savings in current and future years. Project Horizon, a fundamental review of TfL's back office and corporate functions designed to protect investment and front line services is, subject to consultation, is going live in January 2012.

Section 6 – Transport for London

- 6.7 Other key highlights within the savings programme include:
- a renegotiation of major contracts delivering front line services, including Congestion Charging and highway maintenance;
 - Commercial procurement savings on projects;
 - London Underground capital programme savings through improved contract arrangements, simplified technical standards and process improvements;
 - Bus network contract price savings, while maintaining current overall levels of bus service provision;
 - Carrying out maintenance in a more efficient manner and negotiating better maintenance contracts; and
 - Initiatives to increase secondary revenue on London Overground and London Underground.

Key deliverables

- 6.8 The key deliverables in the Budget for 2012-13 are set out below.

London Underground (LU) and Tube Lines

By 2014-15, London Underground (LU) is expected to carry around 110 million more passengers a year than at present, while reducing delays on the network by 18 per cent. During the Business Plan period, to 2014-15, LU will improve the service offered while carrying record customer numbers, as well as continuing the on-going renewal of core-assets and the key upgrades of the sub-surface Railway and Northern line. At the same time, the foundations will be laid for the Deep Tube Programme, which will replace the trains and signalling on the Bakerloo, Piccadilly, Central and Waterloo & City lines.

Tube upgrades:

- **Sub-surface railway upgrade** – The largest of TfL’s Tube investment programmes continues on target. Since the last Business Plan was published, 14 new walk-through, air-conditioned trains have been delivered. A key milestone for the upgrade has been achieved with the signing of the contract to replace the current life-expired signalling with a modern computer-controlled signalling system that will enable more frequent trains and faster journeys;
- **Jubilee line upgrade** – Following the successful implementation of the first of two new timetables, LU is on target for the second incremental timetable, which will be introduced in early 2012, ahead of the Olympic Games. This will increase service frequencies by 33 per cent compared with 2010. The lessons learnt from the Jubilee line are now being applied to successfully upgrade the Northern line by 2014, and resources are now transferring between the lines to support the main delivery phase of the Northern line upgrade; and
- **Victoria line upgrade** – With the roll-out of the new Victoria line trains complete, new timetables will be introduced in stages. The first peak capacity increase will be introduced in spring 2012 and the full upgrade timetable will be introduced on the line in 2013, resulting in a 21 per cent increase in capacity compared with 2010. By the end of the Business Plan period, cooling schemes will be in operation at Oxford Circus and Green Park stations, reducing temperatures and making travel more comfortable for customers.

Section 6 – Transport for London

Station capacity and improvements: Extensive improvement works to the following stations are being undertaken:

- **Paddington** (Hammersmith & City line) station – The new station entrance, ticket hall and gateline to serve Paddington (Hammersmith & City line) station will open in 2013 ahead of schedule. The project will provide step-free access, reduce congestion throughout the station and support the enhanced service on the Circle and Hammersmith & City lines;
- **Bank station** – A new entrance to the Waterloo & City line at Bank will open in partnership with the third-party Walbrook Square development. Subject to the developer's programme, construction is expected to begin in 2012. By March 2015, the site will have been handed over to TfL for fitting out;
- **Vauxhall station** – TfL is advancing the scheme, previously proposed to complete in 2018, to reduce congestion substantially and deliver step-free access at Vauxhall station. Vauxhall is a key interchange between London Underground, National Rail and buses and serves a rapidly-developing London Plan opportunity area. Accelerating the project reduces the construction cost to TfL and supports local developments, and integrates better with existing improvements to the Network Rail station. TfL aims to complete the scheme in 2015;
- **Station congestion relief** – TfL is continuing work on three major congestion relief schemes currently under construction that deliver outside of the Business Plan period. Tunnelling to create new passageways that will relieve congestion at **Bond Street** will begin in 2013, where the whole scheme will complete in 2017;
- At **Tottenham Court Road**, partial opening of the new Plaza ticket hall is scheduled for March 2015, which will substantially improve access to the Northern line;
- At **Victoria station**, the new northern Hall ticket entrance will open in 2016, relieving the daily overcrowding at the existing station; and

Investment in order to increase secondary revenues – Self-financing investment in TfL assets, such as LU car parks and station retail units, intended to increase the commercial revenues generated from those assets, with a target financial payback of no longer than 8 years.

London Rail

By 2014-15, London Rail will carry around 38 million more passengers a year compared to current levels – an increase of around 17 per cent. On the DLR, passenger numbers will increase by around 20 million to 104 million by 2014-15. On London Overground, demand will reach almost 120 million by 2014-15, up by 15 million on current levels and effectively doubling since the introduction of the East London line in 2010, while Tramlink passengers will increase by around three million reaching more than 31 million a year in 2014-15.

- **Croydon Tramlink** – In order to meet recent demand, Tramlink is planning to run more services by purchasing six additional trams and increasing service frequency on the busiest route between central Croydon and the Beckenham Junction and Elmers End termini. An infrastructure project will be carried out through to 2012 to modify the track and tramstops to allow the new trams to run on the network;

Section 6 – Transport for London

- **Cable car** – A new cable car river crossing, which will now be known as the ‘Emirates Air Line’, is being constructed to connect the Greenwich Peninsula with the Royal Docks. The service will make it easier for pedestrians and cyclists to cross the Thames in east London and will provide direct access between the O2 arena and ExCeL. The service will open in 2012 and is expected to carry around two million passengers per year, with crossings taking around five minutes; and
- **New South London line** – Works on the new link to complete the London Overground’s orbital route are under way and will complete in 2012. The service will provide a new route from Dalston to Clapham Junction via Surrey Quays. This will enable passengers to access key locations in inner and outer London as well as the national rail network without having to transfer in the centre of the Capital.

Surface Transport

Surface Transport provides and manages a broad range of sustainable transport services and choices, including buses, cycling and walking. By 2014-15, Surface Transport is expected to carry around 52 million more passengers on its bus network than the current levels. This is alongside supporting the 500,000 cycling journeys and six million walking trips taking place each day and carrying 30 per cent of London’s road traffic on the TfL road network.

During the Business Plan period, the bus network will remain under regular review to ensure it continues to respond to changes in travel requirements. Surface Transport will also continue to improve the coordination of road works and effectively manage and develop all of London’s 6,000 traffic signals. This work will contribute to smoothing traffic flow, improving journey time reliability and reducing congestion.

- **New Bus for London** – Following successful testing in 2011, work continues to bring the next eight prototype vehicles into operational service in early 2012;
- **Lane rental scheme** – The DfT and TfL went out to consultation on regulations that would allow the introduction of a lane rental scheme for roadworks. This would enable TfL to charge companies for digging up the busiest roads at peak times on the Transport for London Road Network (TLRN), according to the time they take up road space. The scheme will therefore incentivise companies to work more efficiently and at less disruptive times. Subject to approval of the scheme by the Secretary of State for Transport, TfL is aiming to have a scheme in place on the TLRN by spring 2012;
- **Barclays Cycle Hire** – By March 2012, the scheme will be extended eastwards as far as Bow and hundreds more docking points added in central London. TfL is also considering the potential expansion of the scheme westward in 2013 and will be carrying out feasibility works including site identification, site design and borough liaison;
- **Barclays Cycle Superhighways** – Since the publication of the Business Plan, a further two cycle superhighways have been completed. A total of four out of the 12 routes are now complete, providing safer, faster and more direct routes into the city. Of the eight remaining routes, four will be completed in 2013 and a further four by 2015;

Section 6 – Transport for London

- **Traffic signals** – Split Cycle Offset Optimisation Technique (SCOOT) is a traffic signal control technology, which aims to relieve congestion and smooth traffic flow at traffic junctions. The current programme to install SCOOT at a further 1,000 traffic signal sites is ahead of schedule, with more than 450 sites already completed. The programme is now due to complete by 2013;
- **Safety camera enforcement operations** – Speed and red light cameras that use wet film technology are becoming obsolete and will be replaced by 2015 with a digital alternative. This will maintain the road safety benefits that camera enforcement currently provides;
- **Blackwall Tunnel** – Essential safety works on the northbound Blackwall Tunnel have been completed more than a year ahead of schedule and with fewer weekend closures than originally planned. An over-height vehicle detection lane is also being implemented, which will ensure over-height vehicles are identified and diverted while maintaining two lanes at full flow. Construction will be completed in 2012 and will bring significant journey time savings and smoother traffic flows;
- **Henlys Corner** – Major improvements to the busy Henlys Corner junction are well under way, and will deliver a new signal-controlled pedestrian and cyclist crossing facilities as well as a new junction design to improve traffic flow. Construction is due to complete in 2011;
- **Bounds Green** – The A406 Bounds Green Road to Green Lanes improvement scheme will result in smoother traffic flow, safer crossing facilities and will stimulate regeneration of the area. The work is ahead of schedule and the completion date has been brought forward to spring 2012;
- **A4 Hammersmith Flyover** – the four lane Hammersmith Flyover was constructed in the 1960s. The structure was closed to traffic in December 2011 for safety reasons and partially reopened to light traffic on 13 January. A solution which will allow the flyover to be fully open before the Olympics will be implemented as soon as it is safe to do so;
- **Tottenham Hale Gyratory** – TfL is working with Haringey Council to improve Tottenham Hale's gyratory. This includes changing traffic flow from a one-way to a two-way system, and creating a new public square and bus station outside Tottenham Hale station. Construction will complete in 2014;
- **TLRN capital renewals** – TfL will carry out a package of renewal initiatives on TfL's road network, primarily comprised of essential works on bridges. The proposed works will ensure the continued safe operation of these assets and remove the need for restrictions, while minimising whole life costs. The works include refurbishment of the Grade II listed Chiswick Bridge, reconstruction of the A406 Woodlands Retaining Wall to enable reopening of the footway, and reconstruction of the A406 Power Road bridge (road-over-rail) to avoid traffic restrictions. Works are programmed to start in 2012-13, 2013-14 and 2014-15 respectively;
- **Working with London boroughs** – TfL is working with the London Technical Advisory Group, London Councils and London boroughs on a project to develop a collaborative approach to highways maintenance and management. The project will deliver efficiencies across the capital in highway maintenance and management services, with new contracts commencing in 2013.

Section 6 – Transport for London

Concessionary travel

- The Mayor will continue to guarantee free bus travel for under 16s and half price bus travel for the unemployed, Employment & Support Allowance claimants and those on income support;
- The Mayor is committed to working with the 32 London boroughs, the Common Council of the City of London and London Councils to ensure funding for the 24 hour Freedom Pass for older and disabled Londoners is protected and the scheme remains affordable to the London Council Taxpayer; and
- The continuation of these schemes will ensure that forty per cent of bus passengers will travel for free or at a substantial concessionary rate.

Crossrail

As well as providing much-needed additional rail capacity, Crossrail has an important role to play in supporting regeneration and the economy, and in creating a skills legacy.

- Crossrail services will begin in phases, with the first new trains coming into passenger service in May 2017 on the existing Network Rail suburban metro services from Shenfield into Liverpool Street station. They will start operating in the central tunnel section at the end of 2018 and in phased stages thereafter on the remainder of the route;
- A total of 21km of new tunnels will be built and the tunnel boring machines are due to start operating in the first half of 2012. Crossrail has already awarded the first main station contract at Paddington. The remainder of the station contracts will be let during the course of the next twelve months;
- More than 85 per cent of excavated material from tunnelling will be removed by rail and river, while construction material from stations and station-related work will generally be removed by road before being transferred to the river. During the project, a total of 7.3 million cubic metres of material will be excavated, more than five million of which will be transported by boat along the Thames for use in landscaping projects. These include a new 1,500 acre Royal Society for the Protection of Birds (RSPB) nature reserve at Wallasea Island in Essex; and
- Construction work started in November 2010 on a Tunnelling and Underground Construction Academy at Aldersbrook sidings near Ilford Town Centre. It will be open in early 2012, and over the lifetime of the project will offer training in underground construction to at least 3,500 people. After Crossrail has been completed, the academy will remain as a lasting legacy for London.

Budget and Council Tax Requirement

- 6.9 TfL's gross expenditure in 2012-13 is now budgeted at **£10.0bn**. This covers operations, capital projects, debt servicing and Group-level contingency. Deducting fare income, reserves and other receipts totalling a net £6.3bn, leaves £3.8bn to be met through funding from external sources. The bulk of the funding (£3.3 billion in 2012-13) is in the form of the GLA transport grant from Government. In addition, TfL will continue to borrow under the prudential borrowing regime as agreed with Government in the 2010 settlement. TfL is forecasting to borrow £459m in 2012-13 and will have an authorised limit for borrowing of £7.9bn.

Section 6 – Transport for London

- 6.10 TfL's budget and council tax requirements are identical as it is not in receipt of any general government grant. Its council tax requirement (i.e. the amount to be raised from the GLA Council Tax precept) for 2012-13 is £6m – the same level as in 2011-12.

Explanation of budget changes

- 6.11 The key changes in income and expenditure areas between the 2011-12 and 2012-13 budgets - and indicative figures for 2013-14 and 2014-15 reflecting TfL's four year CSR settlement, are set out in the table below.

	2012-13 (vs 2011-12)	2013-14 (vs 2012-13)	2014-15 (vs 2013-14)
Changes to the TfL's spending plans	£m	£m	£m
Budget and council tax requirement:	6	6	6
Changes due to:			
Inflation	90	71	96
Fares, Charges and Other Income	-213	-167	-101
Increases in PPP/PFI payments	-6	1	-4
Net Operational Increases/Decreases	-58	-97	-99
Capital Projects	-151	-45	-162
Debt Servicing, Contingency and Other Items	-5	-35	6
Funding and Working Capital	343	272	265
Budget and council tax requirement	6	6	6

Inflation

- 6.12 Inflation is estimated to increase TfL's net costs in 2012-13 by £90m. This change represents the overall impact of inflation on TfL's finances and comprises two elements:

- The benefit to TfL of higher inflation through the RPI linked component of the increase in fares revenue. The above inflation component of the fares increase is shown separately under fares, charges and other income in the table above.
- The increase in costs attributable to inflation. Where appropriate, published indices that differ from RPI have been used, such as EC Harris estimates of construction cost inflation.

Fares, charges and ticket/trading revenues

- 6.13 The TfL budget includes Fares on TfL's services for 2012 rising by just above inflation, 5.6 per cent on average, after the Mayor secured £136million in extra grant from the Government. The lower than planned rise in fares will be entirely paid for by the additional funding provided by the Government and comes at no cost to TfL. The assumed fare rise for planning purposes in 2013 and 2014 is RPI plus 2 per cent.

Section 6 – Transport for London

Savings and efficiencies

- 6.14 TfL's 2011 Business Plan has set a target to deliver more than £7.6bn in net savings and efficiencies to 2017-18. Around £5bn of these efficiencies result from measures that have already been implemented. Approximately £1.1 billion of these are projected to be realised in 2012-13.
- 6.15 TfL has a comprehensive and ambitious savings programme, stemming from successive years of focus on driving down cost and improving efficiency:
- In 2008, the Operating Cost Review, a 'top down' programme that led to more than 60 change projects, targeted savings of £2.4bn to 2017-18;
 - In 2009, TfL introduced an annual efficiencies drive known as the Continuous Savings Exercise. This involved manager-led reviews of budgets target savings (or additional non-fare revenues) of 2.5 per cent without affecting TfL's service to customers. This resulted in the target increasing to £5.2bn over the same period; and
 - In 2010, following the 2010 Spending Review, the Commissioner launched Project Horizon - a fundamental review of TfL's back office and corporate functions. It is designed to protect investment and front line services and deliver a 20 per cent reduction in support staff costs (on top of previous measures), including a 25 per cent cut in director posts. This has reached its consultation phase, and the new organisation is expected to go live in January 2012.
- 6.16 Planned savings and efficiencies are summarised by TfL division in Appendix D. TfL's savings target was set out in its current Business Plan published in Spring 2011 and these figures have been updated to reflect the impact of its third annual continuous savings review which was completed during summer 2011.

Capital Projects

- 6.17 Total planned capital expenditure by TfL is forecast to be £3.2 billion in 2012-13. This represents an increase of £529m compared to 2011-12 of which around £450m is accounted for by Crossrail works. Further information on the TfL capital spending plan is set out in section 10.

Funding and Working Capital including Crossrail Contributions

- 6.18 Planned movements include prudential borrowing, utilisation of cash reserves as well as amounts applied to an increased working capital requirement. The Crossrail cash commitment included within the budget represents funding that TfL will pass to Crossrail. Part of this is financed by GLA borrowing agreed with Government in the 2010 Spending Review settlement (included in the Crossrail funding sources line). Further information on the GLA's contribution is set out in Section 2. The phasing of the cash that TfL has committed for Crossrail is in accordance with the sponsors' agreement and is not always matched to the timing of the Crossrail-specific funding sources that TfL anticipates receiving. Including contributions to date, over the course of the construction, TfL will be making a contribution of over £2bn from its own resources.

Section 6 – Transport for London

Analysis of Planned Income and Expenditure by Service

- 6.19 The table below sets out the calculation of the budget and council tax requirement (which for TfL are identical) by reference to the income and expenditure incurred by service. It reflects the above commentary on the budget proposals. It is also consistent with Table 11 within TfL's 'Business Plan Update and GLA Submission' Board paper, presented at the TfL Board on 7 December 2011 and available on the TfL website. Table 11 in that paper shows TfL's operating plan makes a surplus to help fund capital expenditure over the period to 2014-15.

Service analysis	Budget	Forecast	Budget	Plan	Plan
	2011-12	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Income					
Traffic income	-3,460	-3,511	-3,762	-4,057	-4,363
Congestion Charge, LEZ, enforcement income	-265	-294	-284	-301	-295
Other income	-307	-290	-329	-360	-398
Interest income	-8	-5	-7	-11	-15
Sub total income	-4,040	-4,100	-4,383	-4,729	-5,071
Operating costs					
London Underground and Tube Lines	2,316	2,215	2,285	2,367	2,409
Surface Transport	2,637	2,633	2,695	2,724	2,800
London Rail	336	334	359	343	355
Corporate Directorates	436	381	554	574	554
Sub total operating costs	5,725	5,563	5,893	6,008	6,118
Capital expenditure					
London Underground and Tube Lines	1,510	1,291	1,478	1,559	1,472
Surface Transport	231	236	209	232	270
London Rail	193	270	78	16	(7)
Corporate Directorates	74	54	125	81	37
Sub total capital expenditure	2,007	1,850	1,890	1,889	1,772
Other					
Property sales	-40	-56	-113	-133	-71
Third-party contributions	-74	-86	-46	-31	-15
Debt servicing	304	487	312	340	365
Group items	54	38	42	-22	-41
Net services expenditure	3,937	3,696	3,594	3,322	3,057
Movements in working capital	93	102	80	7	56
Specific grants (including GLA transport grant)	-3,293	-3,319	-3,337	-2,956	-2,497
Crossrail cash commitment	1,205	1,180	1,904	2,247	2,002
Crossrail funding sources	-1,390	-1,560	-2,058	-2,067	-1,693
Net borrowing other financing and reserves	-546	-93	-177	-547	-919
Budget and council tax requirement	6	6	6	6	6

Note: The figures in the above table may not sum exactly due to rounding. LEZ is the Low Emission Zone.

Section 6 – Transport for London

Debt Servicing, Contingency and Other Items

- 6.20 TfL acquired approximately £1bn of Tube Lines' debt in October 2011, one of the latest steps in winding up the expensive, inefficient and flawed London Underground PPP. The debt acquisition means that TfL has bought back the majority of Tube Lines' overly complex and expensive £1.6bn debt structure, following the acquisition of £0.3bn of Tube Lines debt between August and September 2011. TfL's AA+ rating means the organisation will be able to achieve more competitive borrowing rates than those secured by Tube Lines, delivering significant savings over the long-term. The planned increase in debt servicing reflecting further borrowing is offset by lower expenditure on Group Items.

Net increases and decreases in operational expenditure

- 6.21 Planned increases and decreases in operational expenditure are detailed at Table 2 in Appendix D. The budget includes forecast net decreases in operational expenditure of £58m in 2012-13, £97m in 2013-14 and £99m in 2014-15.

Grant funding

- 6.22 TfL's grant funding from the Department of Transport for 2011-12 to 2014-15 is set out in the table below. This is based on TfL's CSR settlement announced in October 2010 updated to reflect the additional £136m of grant funding over three years announced in the Chancellor's Autumn Statement in November 2011. This additional funding has allowed the Mayor to set a lower fares increase from January 2012 than the RPI + 2 per cent assumed in its Business Plan.

Grant funding	Budget	Forecast	Budget	Plan	Plan
	2011-12	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
General (revenue) grant	1,943	1,943	1,948	1,840	1,541
Investment grant	861	861	881	904	928
Sub total Core Transport Grant	2,804	2,804	2,829	2,744	2,469
Metronet capital Grant	424	424	352	184	0
Overground Grant	26	26	26	28	28
Other	45	65	129	0	0
Total Grant from DfT	3,299	3,319	3,337	2,956	2,497

Note: Figures may not sum exactly due to rounding

Environmental Impact

- 6.23 The current TfL Business Plan which informs the budget proposals sets out, on page 17, how it supports the key goal of the Mayor's Transport Strategy (MTS) to "reduce transport's contribution to climate change and improve its resilience". Page 12 of the document sets out plans to tackle air quality, as part of TfL's medium term strategy goal to improve quality of life.

Section 6 – Transport for London

Equalities duties

- 6.24 As part of the process of producing TfL’s current Business Plan, an Equality Impact Assessment (EqIA) was undertaken.

Reserves

- 6.25 TfL seeks to maintain a General Reserve balance of at least £150m (and a minimum cash balance of £250m), 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 Reserve, provision would be made in future years’ budgets to rebuild the reserve to this target level.
- 6.26 Total reserves are forecast to increase in the current year from the opening 2011-12 level of £673m to a closing level of £694m. They are projected then to increase to £883m by the end of 2012-13. The closing balances include a General reserve balance at a constant £154m with the remainder being earmarked reserves. It is considered that this level of reserves is appropriate to meet general requirements. These reserves exclude any sums held in respect of the Crossrail project, as these are reflected in the budget on the basis of TfL’s cash commitment.
- 6.27 The table below shows the forecast movement in reserves.

Movement in TfL reserves During Year	Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Opening balances	673	673	694	883	567
Transfers to/(from):					
Earmarked reserves	-230	21	189	-316	-355
General reserves	0	0	0	0	0
Closing balances	443	694	883	567	212

- 6.28 The following tables show the forecast total level of general and earmarked reserves at the end of each year.

Total TfL reserves End of financial year	Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Earmarked reserves	289	540	729	413	58
General reserves	154	154	154	154	154
Total reserves	443	694	883	567	212

Note: These statutory reserves are those that appear from the TfL Group balance sheet and differ from the cash reserves figure that is utilised to finance the Budget and Business Plan and the figure applied in the Summary of expenditure and financing tables in Appendix H.

Section 7 – Olympic Park Legacy Company

- 7.1 The Olympic Park Legacy Company has been established in the joint ownership of the Mayor and Government as the manager and custodian of the Queen Elizabeth Olympic Park (QEOP) after the 2012 Games. It is responsible for the legacy development and management of the park and venues in line with the London Plan's legacy objective and will be London's single most important regeneration project for the next 25 years.
- 7.2 The Mayor, in agreement with the Government, has proposed establishing a Mayoral Development Corporation (MDC) using powers granted by the Localism Act 2011. The MDC would take over the Legacy Company's role, assets, staff and liabilities and a smaller number of assets and liabilities from the London Thames Gateway Development Corporation and Olympic Delivery Authority. Current proposals are for the MDC to be established in April 2012 and to take on planning functions in October 2012. Unlike the Legacy Company, the MDC will be a functional body within the GLA Group. For purposes of preparing the MDC's budgets and associated material for 2012-13 and beyond, the Legacy Company has been working in the role of shadow MDC in close collaboration with the GLA.
- 7.3 The MDC will own land assets (including the Stadium, ArcelorMittal Orbit, Aquatics Centre, Multi-Use Arena, Press Centre and Broadcast Centre) within the QEOP. It will manage the parkland and venues to optimise value for money, usage and community access and will work with development partners to deliver more than 7,000 homes on sites around the Park and venues. Its strategic aims are:
- to deliver social, economic and environmental benefits for east London;
 - to deliver agreed financial receipts to the public sector; and
 - to optimise sustainability and success of the QEOP and venues.
- 7.4 The Mayor is yet to receive a formal grant offer letter in respect of funding for the MDC in 2012-13 but an agreement has been made. However, in this consultation budget grant funding is assumed to be in line with the indicative settlement that the Legacy Company has received from the Department for Communities and Local Government for the Spending Review period and the grant to be transferred for post-Games Transformation from the Olympic Public Sector Funding Package.

Key deliverables and objectives

- 7.5 The period to 2014-15 is a critical one for the successful delivery of the Olympic Park legacy. During this period the Legacy Company/MDC will:
- Appoint legacy operators, tenants and estates and facilities managers for the QEOP and venues;
 - Deliver the legacy conversion of Park and venues and initial infrastructure investment;
 - Secure planning permission for Legacy Communities Scheme development;
 - Appoint a development partner for its first phase of development (Chobham Manor) and enable that partner's start on site;
 - Open the QEOP and venues in a phased programme in 2013 and 2014;

Section 7 – Olympic Park Legacy Company

- Deliver a programme of events and visitor attractions to ensure that the Park is a well-used and welcoming destination;
- Take on responsibility for development control and planning policy in the Park and fringe area and publish its first planning policy documents; and
- Deliver programmes to enable local people to connect with and benefit from the re-opening of the Park and venues.

Budget and Council Tax Requirement

7.6 A summary of OPLC's forecast revenue expenditure and its funding is shown in the table below. This includes the Mayor's financial contribution to the Company paid by the GLA which is included within Section 2.

OPLC budget	2011-12 Latest Forecast	2012-13 Budget	2013-14 Plan	2014-15 Plan
	£m	£m	£m	£m
Venues	3.7	0.7	1.3	10.6
Park Operations	3.0	3.6	9.3	18.6
Real Estate	1.3	0.8	7.7	9.3
Park and Business Planning	0.8	0.1	0.1	-
Regeneration	0.1	2.3	2.7	2.7
Marketing	0.0	0.6	0.6	0.6
Insurance	0.0	0.6	0.6	0.6
Residual Business Rates	0.0	1.0	2.0	2.3
Olympic Fringe Public Realm	0.3	-	-	-
Operational Readiness	-	5.4	0.8	-
Sub Total Project expenditure	9.2	15.1	25.1	44.7
Administration	9.5	10.6	10.5	10.1
Planning Authority	0.0	0.6	1.2	1.2
Total Expenditure	18.7	26.3	36.8	56.0
Revenue Grants (DCLG - programme)	-	-	-15.5	-17.5
Revenue Grants (DCLG - admin)	-9.5	-10.6	-11.1	-10.7
Revenue Grants (GLA)	-15.0	-5.0	-10.0	-10.0
Olympic Fringe Public Realm (GLA)	-0.3	-	-	-
Operational Readiness (Public sector funding package)	-	-5.4	-0.8	-
Real Estate	-	-	-	-0.4
Venues	-	-	-	-10.7
Park Operations	-	-	-0.7	-4.7
Planning authority administration funding	-	-0.6	-0.6	-0.6
Cost recharge	-	-0.1	-0.1	-0.3
Total Funding	-24.8	-21.7	-38.8	-54.9
Net expenditure	-6.1	4.6	-2.0	1.1
Use of reserves	6.1	-4.6	2.0	-1.1
Budget and council tax requirement	0.0	0.0	0.0	0.0

Section 7 – Olympic Park Legacy Company

- 7.7 It is anticipated that the MDC's expenditure will be fully covered by Government and GLA grant funding so there is a nil budget and council tax requirement in 2012-13 and future years.

New initiatives and service improvements

- 7.8 The MDC will be a new organisation and in the context of the transition from the Legacy Company will see a fundamental shift in its role in 2012-13 – from planning legacy and procuring partners for delivery, to delivering a substantial capital programme, mobilising Park and venue operators and managers and fulfilling new statutory planning functions. Planned capital spending is set out in section 10. The table above reflects the establishment of recurring revenue expenditure and income as the Park and venues become operational.

Savings and efficiencies

- 7.9 The Legacy Company's primary focus for savings and efficiencies is on its staffing and corporate budgets. The MDC's staffing profile will reflect its changing role over time so at the same time as appointing new staff to undertake new functions, it will secure savings. The administration budget assumed as part of the DCLG grant funding settlement was on the expectation that staffing would be reduced by 15 posts over the period to 2014-15. The Legacy Company's current plans anticipate savings of 19 posts. These savings are set out in Appendix E.

Olympic Stadium

- 7.10 The Legacy Company terminated negotiations on granting a lease for the Olympic Stadium to a consortium of West Ham United and the London Borough of Newham in October 2011.
- 7.11 A new process to find users for the Stadium was launched in December 2011. The Stadium will now be retained as a public asset with guaranteed provision of athletics facilities in order to meet requirements of the 2017 World Athletics Championship. The Legacy Company will also seek leasehold sporting tenants, together with other occupiers and tenants. This ownership model is used successfully in other stadia across the UK and the rest of Europe and is also in keeping with the other venues on the Olympic Park and their management after the Games.
- 7.12 The precise financial implications of these changes will depend on the model adopted and the implications for conversion works to the Stadium. Provision has been made for a possible capital funding gap in the Legacy Company's capital plans. At the same time the legacy uses of the Stadium may generate an operating surplus and this will help to optimise the QEOP's long term commercial sustainability.

Section 7 – Olympic Park Legacy Company

Equalities duties

- 7.13 For the Legacy Company as a landholder, developer, masterplanner, park manager, venue owner, events organiser and agent of the Mayor and Government, the equality duty means considering how different communities might benefit from and use the Park and the opportunities it creates over time. A full equalities assessment was undertaken as part of the development of the corporate plan and this will be reviewed and updated.

Environmental Impact

- 7.14 The Legacy Company has identified Environmental Sustainability as one of its priority themes and is developing its corporate sustainability policy and targets. These will have regard to the Mayor's environmental policies, which have already been embedded in procurement of key contracts such as estates and facilities management. The Mayor's strategies are also incorporated into the Sustainability Statement that forms an integral part of the Legacy Communities Scheme planning application. The QEOP will include substantial new areas of green space and habitat, a local combined heat and power plant and smaller-scale energy infrastructure including wind turbines and photovoltaics.
- 7.15 Budget proposals include provision for work exploring the feasibility of waste-to-energy infrastructure and other site-wide infrastructure that will enable the legacy development to achieve high standards of environmental performance.

Reserves

- 7.16 The OPLC is forecast to hold £6.1m of reserves at 31 March 2012 of which £4.6m are expected to be applied in 2012-13. There is separate provision for programme and project contingency within the capital budget estimates. OPLC only holds earmarked reserves so the figures in the table below illustrate both the total and in year movements.

	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14	Plan 2014-15
OPLC Reserves				
Opening balances	0.0	6.1	1.5	3.5
Transfers to/from:				
Earmarked reserves	6.1	-4.6	2.0	-1.1
Closing balances	6.1	1.5	3.5	2.4

Section 8 – GLA Group Future Years' Funding

- 8.1 There are three principal sources of uncertainty regarding future years' budgets for the GLA Group: the announcement of a full set of outcomes from the Government's Spending Review for the period to 2014-15 for the GLA Group; the potential impact of the Local Government Resource Review; and the effect of the devolutionary changes introduced in the Localism Act 2011 on the GLA Group's finances.

Legislation

- 8.2 The Localism Act and the Police Reform & Social Responsibility Acts both received Royal Assent in autumn 2011. The following provisions in the Acts are relevant to the GLA Group:
- The abolition of the MPA and the creation of a new policing functional body – the Mayor's Office for Policing and Crime (MOPC);
 - The devolution of the Homes and Communities Agency's (HCA) London activities to the GLA;
 - The folding in of the LDA's functions to the GLA; and
 - The granting of a power to the Mayor to establish Mayoral Development Corporations (MDC) – the only MDC currently planned is an Olympic Park Legacy Corporation to succeed the Olympic Park Legacy Company (OPLC).

Provisional Local Government Finance Settlement for 2012-13

- 8.3 The provisional local government finance settlement for 2012-13 was published for consultation by the Government on 8 December 2011. The announcement set out the general grant allocations for MOPC (DCLG formula grant and Home Office police grant) and LFEPA (DCLG formula grant) which were unchanged from the indicative allocations issued by the Government in January 2011. The GLA's General Grant for 2012-13 has been agreed but the Government had not issue a formal grant offer letter at the date this draft budget was issued. TfL has already received a confirmed four year settlement to 2014-15 with an additional £136m of grant announced in the 2011 autumn statement over 3 years to support a reduction in the planned fare increase for 2012 to RPI +0.6 per cent. Specific details on the 2012-13 grant funding position for the GLA and each functional body are set out in sections 2-7 of this document

Current Information on Funding Allocations Announced for the 2012-13 to 2014-15 Financial Years

- 8.4 The table on the following page gives the latest position on the status of the grant settlement information for the remainder of the current CSR period across the GLA Group. It confirms the primary components and sources of each functional body's funding from Central Government and what information has been issued so far for 2012-13 onwards.

Section 8 – GLA Group Future Years’ Funding

Information on Availability of Government Funding Settlement for the GLA and Each Functional Body Over the Remainder of CSR Period

Functional Body	Sources of Core Central Government Funding	2012-13	2013-14	2014-15
GLA	GLA general grant (DCLG)	Yes*	Yes*	Yes*
MPA / MOPC	Police grant	Yes	Yes	Yes
	Specific grants (including counter-terrorism funding)	Partial	Not yet	Not yet
	Formula grant (DCLG)	Yes	Not yet	Not yet
LFEPA	Formula grant and specific grants (DCLG)	Yes	Not yet	Not yet
TfL	Transport grant (DfT)	Yes	Yes	Yes
Olympic Park Legacy Corporation	Via GLA General grant	Yes*	Yes*	Yes*

*Subject to formal receipt of a grant offer letter from DCLG at the date this draft budget was published and (from 2013-14) the impact of the Resource Review.

Local Government Resource Review and Local Government Finance Bill

- 8.5 The Government’s Local Government Resource Review commenced in early 2011 and is considering fundamental changes to the formula grant system alongside mechanisms which could allow local authorities to retain part of the future growth in their business rates yield. The Government published its proposed scheme and a draft Local Government Finance Bill on 19 December.
- 8.6 The Government confirmed as part of its final proposals that it intends to roll in the revenue elements of the GLA’s and LFEPA’s (formula) general grant from the outset of the business rates retention scheme in April 2013. This means that the GLA and LFEPA will be able to benefit from the future growth in business rates revenues in the capital alongside the 32 London boroughs and the Corporation of London. TfL and the MOPC will continue to receive their funding as at present until 2014-15.
- 8.7 To establish a fair starting point for Local Authorities the Government will use the 2012-13 formula grant shares for each authority as the basis for determining the baseline for the first year of the rate retention system but will apply a further adjustment to ensure that the profiled reductions in grant for 2014-15 for each sector (police, fire, local authorities and GLA) are secured. The Government will then apply a further adjustment to fund police grant and other initiatives (e.g. the New Homes Bonus) to determine each authority’s ‘locally retained share’ of the business rates baseline.

Section 8 – GLA Group Future Years' Funding

- 8.8 The Government will then compare each authority's baseline grant (including their formula grant plus their 2011-12 council tax freeze grant) with their locally retained business rates share. Authorities whose baseline grant exceeds their locally retained business rates share will be deemed 'top up' authorities and authorities whose business rates exceeds their grant will be tariff authorities. Tariff authorities will pay over the 'excess' business rates income (set in year 1) i.e. their 'tariff' to the Government who will then distribute this to the top up authorities to ensure that no authority loses out in the first year of the scheme.
- 8.9 Tariffs and top ups will be updated annually for RPI (in line with the increase in the NNDR multiplier) and adjusted to ensure that an authority's retained rates income is not affected by each five yearly revaluation. Tariff authorities have greater incentives within the system (and greater risks should rates revenues fall) whereas top up authorities have some certainty in that their top up will be increased by RPI each year. . The GLA could be a tariff or top up authority depending on its share of growth – around one third of London boroughs are expected to be tariff authorities but the majority of boroughs as well as LFEPA are likely to be top ups
- 8.10 In practice the proposed system means local authorities will only benefit from additional rates revenues due to physical growth (e.g. new buildings) or agglomeration benefits (e.g. areas seeing collective increases in rental values between revaluations due to the wider economic benefits of new investment) – and any RPI uplift on that growth annually.
- 8.11 All physical growth in business rate revenues will therefore be retained locally, thereby creating an economic incentive for Local Authorities to grow their taxbase. However authorities experiencing substantial growth or high tariff authorities with greater potential for revenue growth would be subject to a levy on any 'disproportionate' growth. This levy will be used primarily to provide a safety net to protect authorities experiencing a sharp decline in business rates revenues.
- 8.12 The Government will discuss the proposed arrangements in the capital with the GLA and London boroughs before determining what share of future growth should be allocated to each tier i.e. each borough's and the GLA Group's locally retained business rates. The effect of this change is that GLA general grant would effectively be abolished – and both the GLA's and LFEPA's core revenue funding would come almost entirely from business rates revenues in London.
- 8.13 The Finance Bill also confirmed the Government's intention to permit tax increment financing schemes, its plan to localise council tax support (council tax benefit) from April 2013 and changes to the system of council tax discounts. The sections below address the specific funding position for each functional body over the CSR period and the potential impact of the changes to the council tax system.

Section 8 – GLA Group Future Years' Funding

Mayor's Office for Policing and Crime

- 8.14 The Home Office's settlement in the 2010 Spending Review envisaged that police funding would decline by around 20 per cent in real terms (12 per cent in cash terms) between 2010-11 and 2014-15. However, the precise profiling of these reductions and the damping arrangements which will apply for the final two years are not yet known. The grant reductions for the MOPC presented in this consultation paper are in line with the expected profile but are indicative.
- 8.15 The Home Office has announced indicative police grant allocations for 2013-14 (£1,102m) and 2014-15 (£1,084m) but no figures have been provided for the formula grant element (£838m in 2012-13) from DCLG (which is primarily financed by business rates) or precise details on future specific grant funding. However, the Home Office has confirmed that the Neighbourhood Policing fund 'PCSO' grant (£101m) will end in 2013-14 and will be transferred into police grant. It therefore forms part of the indicative £1,102m police grant allocation for 2013-14.
- 8.16 The Government has confirmed that police authorities will operate outside the new business rates retention system. The Home Office has also indicated that there will be a fundamental review of police funding prior to the 2015-16 settlement which could result in policing being funded entirely via direct Home Office grant rather than being partly financed from business rates income through formula grant. It intends to consult on these new arrangements in due course.

London Fire and Emergency Planning Authority

- 8.17 LFEPA receives all of its core funding from DCLG either through formula grant (£252m in 2012-13) or the much smaller fire revenue specific grant. The 2010 Spending Review envisaged that funding via formula grant for fire authorities would decline by up to 25 per cent in real terms between 2010-11 and 2014-15. However, at this stage DCLG have not formally confirmed the fire formula grant control totals for 2013-14 and 2014-15 and they may be affected by a further tightening of the spending envelope and potential decisions about the transfer of the existing fire revenue specific grant (worth an estimated £7.7m to LFEPA in 2012-13) into formula grant.
- 8.18 LFEPA's formula grant was reduced by £8.5m (3.3 per cent) on a like for like basis in 2011-12 compared to 2010-11 but will increase by £0.4m (0.2 per cent) in 2012-13. The net impact is a reduction of around 3 per cent in cash terms over the two years. Data published by DCLG alongside the Local Government Resource Review consultation in August 2011 suggested a further 12.5 per cent reduction to be made by 2014-15 for fire authorities with around two thirds of this occurring in 2013-14. If this were the case LFEPA's grant reductions in the last two years of the settlement would be in the region of £20m in 2013-14 and £11m in 2014-15 on a like for like basis. The indicative figures included in this budget have regard to these forecasts but assume a higher decline in 2014-15 which would deliver a reduction over the CSR period in line with the average for English fire authorities.

Section 8 – GLA Group Future Years' Funding

- 8.19 This analysis is predicated on the basis that the Government will apply these CSR control totals and the existing national formula grant system is retained for all fire authorities. However on 19 December the Government confirmed that LFEPA – along with other single purpose fire authorities – will form part of the new business rates retention system from April 2013.
- 8.20 As a result the annual movement in LFEPA's grant income from 2013-14 onwards will be linked to the growth in business rates revenues in London rather than being determined through a national fire funding formula supported by a damping mechanism.
- 8.21 Precise details on how rates retention will impact on LFEPA's future funding – and those of other fire authorities – will be determined during 2012. The expectation is that the Government will seek to deliver the agreed CSR profile of grant reductions for fire authorities to 2014-15 irrespective of the structure of the business rates retention system. As this demonstrates, however, there is a significant degree of uncertainty therefore around LFEPA's actual level of grant funding for 2013-14 and 2014-15.

GLA General Grant and Residual LDA /New HCA Funding

- 8.22 Negotiations on the 2012-13 GLA settlement have now concluded and reflect the impact of the devolutionary changes introduced in the Localism Act. The Government is expected to issue the GLA's grant letter for 2012-13 by the end of January 2012.
- 8.23 As indicated above the Government has also confirmed that it intends to roll in the revenue elements of the GLA general grant – estimated at up to £100m – from the outset of the business rates retention scheme in April 2013. Its locally retained share and tariff or top up status will be determined following consultation with DCLG, London Councils, London boroughs and the Common Council of the City of London.

Transport for London

- 8.24 TfL is the only functional body which has been awarded a four year settlement through to 2014-15. This was revised in November 2011 in the Autumn Statement when it was awarded an additional £136m in grant over three years to enable TfL to only increase fares by just above inflation – 5.6 per cent on average – rather than RPI +2 per cent which had been the original planning assumption for 2012. The consultation budget sets out the measures that TfL has adopted in response to its agreed settlement.

Council tax benefit localisation and Technical Reforms to Council Tax from April 2013

- 8.25 In August 2010 the Government issued a consultation paper inviting on its plans to localise decision making on the award of council tax benefit (CTB). Its final proposals were published in December 2011 and are reflected in the Local Government Finance Bill

Section 8 – GLA Group Future Years' Funding

8.26 A summary of the Government's are set out below:

- Council tax benefit will be localised from April 2013. Government funding for council tax benefit will be reduced across Britain by around £480m or 10% (to £4.4billion per annum) from that date. This equates to an equivalent pro rata reduction of around £70m in London. There are over 800,000 households in London in receipt of council tax benefit. Of these over 500,000 are of working age – the majority of whom are in receipt of 100 per cent council tax benefit;
- Rather than being funded on the basis of actual claims/caseloads via Department for Work and Pensions subsidy (i.e. demand led) as at present the Government will provide an unringfenced specific grant to each local administering authority (i.e. the 32 London boroughs and the City in London) and preceptors (including the GLA) in proportion to their share of council tax;
- The distribution arrangements for the grant will be determined by a separate consultation later in 2012. The Government could simply apply a 10% cut to each authority's 2012-13 actual subsidy levels but may introduce a needs based formula which has regard both to existing claimant data and the relevant size of protected claimant groups (e.g. the number of pensioners) in each area;
- Pensioner households will not be affected - and will continue to receive guaranteed council tax benefit on the same basis as at present. Subject to complying with equalities and related legislation London boroughs and the Corporation of London will - in principle - be able to determine their own local policies for other claimant groups. They will, however, be required to consult with the GLA and the Mayor (as a precepting authority) and other local stakeholders during summer/autumn 2012 before confirming their final schemes;
- As the grant is unringfenced local authorities will be free to use any grant not allocated to council tax benefit claimants to support other services and/or reduce overall council tax levels. Boroughs will also be free – if they so wish – to offer a higher level of support than the grant they receive;
- Billing authorities will be able to share the risks and costs associated with localising council tax with their precepting authorities - including the GLA Group in London through the existing arrangements for sharing collection fund surpluses or deficits. Such deficits might arise where council tax collection rates fall because a less generous CTB scheme is being offered or where a borough pays out more in benefit than it receives in CTB support grant (either due to its own policy decisions or because eligible claimant numbers rise significantly year on year).

Section 8 – GLA Group Future Years' Funding

- 8.27 The GLA Group's share of council tax in each London borough varies from only 9 per cent in the City of London to around 45 per cent in Wandsworth and Westminster with an average share of 21 percent across London as a whole. The effect of the changes – if implemented, will mean that the GLA will receive council tax support grant to offset the reduction in council tax income from the ending of the subsidy regime in proportion to its local tax share in each borough.
- 8.28 Based on current subsidy levels the GLA share of the new grant is estimated to be around £160m from 2013-14 – however the reduction in council tax requirement (through the changes to the estimated council taxbase in each borough) will be dependent on the local policies set by each billing authority and the resulting impact on council tax collection rates. This represents a significant risk to the GLA as it will share in any resulting shortfalls but will have no direct control over the policies set by the 33 London billing authorities. Pending confirmation of the precise details of the scheme and distribution of the grant no adjustment has been made to the assumed council tax requirements for 2013-14 and 2014-15 in this draft budget. The GLA will work closely with the 33 London billing authorities and London Councils in relation to the implementation of the new arrangements in the capital.
- 8.29 The Government has also consulted on technical reforms to council tax which will allow billing authorities – including London boroughs – greater flexibility in relation to the discounts and exemptions they offer in relation to second and empty homes. This may include allowing authorities to impose higher levels of council tax on long term empty homes – subject to protection being put in place for certain vulnerable groups.

Future years' budget plans

- 8.30 As a result of the uncertainties outlined above, it is only feasible at this stage to present firm GLA Group budget plans for 2012-13 (and even then the grant levels are still not fully confirmed for the MOPC or the GLA at the date this draft budget was published).
- 8.31 The Government has also indicated that it may revise the spending review control totals for 2013-14 and 2014-15 to reflect the impact of the 1 per cent public sector pay limit announced in the 2011 Autumn Statement. The budget plans shown for 2013-14 and 2014-15 are therefore indicative. The Chancellor also confirmed in the Autumn Statement that Government spending would be reduced by 0.9 per cent in both 2015-16 and 2016-17 albeit with greater protection provided for the NHS and schools.
- 8.32 Details of the indicative future year's budgets for the GLA and each functional body are set out in the relevant sections of this consultation document. As indicated above these do not – at this stage – address the potential impact of the Resource Review and council tax support changes.

Section 9 – Consolidated Budget and Council Tax Requirements

Consolidated budget requirement

- 9.1 The budget estimates set out in Sections 2 to 7 provide for a consolidated budget requirement for 2012-13 of **£3,126.5m** (£3,283.5m in 2011-12).

Budget requirements	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Greater London Authority (Mayor of London and London Assembly)	155.1	139.5	135.9	134.8
Mayor's Office for Policing and Crime	2,713.0	2,601.2	2,609.8	2,579.8
London Fire and Emergency Planning Authority	409.4	379.8	386.6	363.4
Transport for London	6.0	6.0	6.0	6.0
London Development Agency	0.0	N/A	N/A	N/A
Olympic Park Legacy Company	N/A	0.0	0.0	0.0
Total	3,283.5	3,126.5	3,138.3	3,084.0

General Government funding

- 9.2 General government grant funding through formula grant, Home Office police grant and GLA general grant is summarised below. These are the grants which have historically been deducted from the budget requirement to determine the council tax requirement. Following the making of the commencement order for the relevant parts of the Localism Act 2011 by Ministers these will be treated on the same basis as all other government grants for the purposes of local authority budget calculations. The table below is therefore presented for completeness. As explained it excludes all specific grants including the £3.3billion GLA transport grant payable to TfL in 2012-13 and counter terrorism, Olympic security and neighbourhood policing funding for MOPC.

General Government grants	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Formula Grant (MOPC)	897.8	838.2	826.2	815.0
Formula Grant (LFEPa)	251.7	252.1	228.9	205.7
Police Grant (MOPC)	1,127.7	1,051.6	1,102.3	1,084.1
General GLA Grant (GLA)	63.4	49.8	46.1	44.4
Total	2,340.7	2,191.7	2,203.5	2,149.2

Note: Formula grant allocations for 2013-14 and 2014-15 are indicative estimates for planning purposes and have regard to the expected profile of reductions set out in the 2010 Spending Review.

- 9.3 The difference between the consolidated budget requirement and Government funding, after taking account of any surpluses on borough collection funds, represents the amount to be raised from Council Taxpayers by issuing precepts on the City and the London boroughs (i.e. the council tax requirement). Pending confirmation of the actual data from the 33 London billing authorities at the end of January 2012 the collection fund surplus is assumed at this stage to be zero and the council taxbase to be the same as was used for the 2011-12 budget.

Section 9 – Consolidated Budget and Council Tax Requirements

Council Tax Requirement for police services

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

Council Tax for police services	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
MOPC budget requirement	2,713.0	2,601.2	2,609.8	2,579.8
General Government funding	-2,025.5	-1,889.8	-1,928.5	-1,899.1
Amount for police services	687.5	711.4	681.3	680.7

9.5 This is equivalent to a band D Council Tax of **£235.90** for 2012-13 in the 32 London boroughs (£227.95 in 2011-12).

Council Tax Requirement for other (non police) services

9.6 The estimated amount to be raised for other services (GLA, LFEPA, TfL and OPLC) is as follows:

Council Tax for other services	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
GLA, LFEPA, OPLC and TfL budget requirements	570.5	525.3	528.5	504.2
General Government funding	-315.2	-301.9	-275.0	-250.1
Share of borough net collection fund surplus	-8.0	0.0	0.0	0.0
Amount for other services	247.3	223.4	253.5	254.1

Note: The General Government funding figure for 2012-13 reflects the provisional LFEPA formula grant allocation and an indicative GLA General Grant figure (pending the formal confirmation of its final settlement). Figures for 2013-14 and 2014-15 are indicative estimates only.

9.7 This is equivalent to a band D Council Tax of **£73.92** for 2012-12 in the City and the 32 London boroughs (£81.87 in 2011-12).

Funding analysis by Functional Body

9.8 There are two sets of Council Tax calculations because the Metropolitan Police District does not include the City of London. 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 **Appendix H**.

Section 10 – Draft Capital spending plan and Borrowing Limits

- 10.1 The Mayor is required, under section 122 of the GLA Act 1999, each financial year to prepare a capital spending plan for the GLA's four functional bodies: the Mayor's Office for Policing and Crime (MOPC); the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL) and the Olympic Park Legacy Company (OPLC).
- 10.2 The statutory procedure under section 123 of the GLA Act requires the Mayor to send a copy of the draft 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. For the purposes of meeting the requirements of the GLA Act this section represents the Mayor's draft capital spending plan for 2012-13 on which he is consulting. Before finally determining the plan, the Mayor considers any comments submitted and makes such revisions as he sees fit, having had regard to the responses made. The plan has to be sent to the Secretary of State (DCLG) before 28 February and copies sent to the Assembly and the functional bodies.
- 10.3 The GLA's capital spending plan is not required to be included in the statutory calculation as set out in paragraph 10.5 below, but is included within this section for information. 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, which the Act describes in some detail. 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 and capital receipts;
- Section B** – a statement of the resources each functional body will have for capital expenditure by virtue of borrowing;
- 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; and
- Section D** – a breakdown of how the capital spending is funded i.e. how much the Mayor expects the body to meet out of capital grants, capital receipts, borrowing and revenue.
- 10.4 As part of the capital spending plan, the Mayor also sets out borrowing proposals under the Prudential Code, as required by the Local Government Act 2003.

Section 10 – Draft Capital spending plan and Borrowing Limits

10.5 The statutory draft capital spending plan is set out in the table below.

Draft GLA Group Statutory Capital Spending Plan 2012-13

Section		MOPC	LFEPA	TfL	OPLC	GLA
		£m	£m	£m		£m
A	Total external capital grants	61.4	0.0	1,257.0	160.1	725.9
	Opening balance of capital receipts	6.0	0.0	0.0	0.0	19.5
	Total capital receipts during the year	40.0	0.0	159.0	0.0	25.9
	Total external capital grants/ receipts	107.4	0.0	1,416.0	160.1	771.3
B	Minimum s.120(1) grant	0.0	0.0	0.0	0.0	0.0
	Total borrowings during the year	58.0	5.1	425.0	0.0	733.8
	Total borrowings in the form of credit Arrangements entered into or varied	0.0	0.0	0.0	0.0	0.0
	Total borrowings and credit arrangements	58.0	5.1	425.0	0.0	733.8
C	Total capital expenditure anticipated during the year	170.9	12.6	3,209.0	161.4	1,628.7
	Total credit arrangements anticipated during the year	0.0	0.0	0.0	0.0	0.0
	Total capital spending for the year	170.9	12.6	3,209.0	161.4	1,628.7
D	Funding: capital grants	61.4	7.5	1,257.0	160.1	725.6
	Funding: capital receipts/reserves	46.0	0.0	159.0	0.0	45.4
	Funding: borrowings and credit arrangements	58.0	5.1	425.0	0.0	733.8
	Funding: revenue contributions	5.5	0.0	1,368.0	1.3	123.9
	Total funding	170.9	12.6	3,209.0	161.4	1,628.7

10.6 The GLA's aspiration is that treasury management activities should be better co-ordinated within the Group and in particular to identify opportunities for efficient or risk-reducing use of cash from the whole Group perspective. As such, the GLA may either make loans to, or broker loans between, other members of the GLA Group and/or facilitate on lending of external borrowing to fund capital activities. Where such transactions occur, the lending organisation will incur additional capital spend equal to the principal loaned and on repayment, additional capital receipts. Such loans would be structured in a manner to be neutral to the lenders' budget and are excluded from this presentation since they do not reflect genuine additional capital expenditure or receipts from a Group perspective.

Section 10 – Draft Capital spending plan and Borrowing Limits

Greater London Authority

- 10.7 Set out below is a summary of the GLA's draft capital plan to 2014-15. Section 2 described the new functions from LDA and HCA that the GLA will be managing. It also set out the GLA's proposals for prudential borrowing and work on bond issuance.

GLA draft capital plan	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
City Hall	1.7	0.9	0.9	0.9
London Waste and Recycling Board	2.0	2.0	0.0	0.0
Museum of London	1.6	1.3	1.0	0.7
Crossrail	871.6	819.0	875.0	530.0
Local Enterprise Partnership	0.0	38.8	0.0	0.0
National Affordable Housing Programme	0.0	345.3	169.7	22.2
Affordable Homes	0.0	112.9	213.2	301.0
First Buy	0.0	10.4	0.0	0.0
Mortgage rescue	0.0	7.4	4.2	0.0
Decent Homes Backlog	0.0	154.5	194.5	345.5
Decent Homes Gap	0.0	13.1	10.4	0.0
Empty Homes	0.0	14.5	5.8	6.2
Homelessness Change	0.0	0.0	4.4	8.4
Traveller Pitch	0.0	0.0	0.0	0.7
Property & Regeneration - HCA commitments	0.0	18.1	15.4	7.7
Outer London Fund	3.4	17.5	16.7	0.0
Mayor's Regeneration Fund	0.0	25.0	25.0	0.0
Property & Regeneration - other	0.0	10.9	3.2	1.5
Other projects	19.9	3.3	8.0	6.8
Compulsory Purchase Orders - Olympics	0.0	33.8	23.2	11.8
Debt repayment	0.0	0.0	0.0	0.0
Corporation Tax	0.0	0.0	0.3	1.1
Total Capital Expenditure	900.2	1,628.7	1,570.9	1,244.5
Funding:				
Crossrail Business Rate Supplement (Revenue contribution)	-171.6	-119.0	-75.0	-30.0
Prudential borrowing (Crossrail)	-700.0	-700.0	-800.0	-500.0
Prudential borrowing (Other)	-12.1	0.0	0.0	0.0
Capital Receipts	0.0	-45.4	-36.2	-41.9
DCLG Capital Grant (Growing places fund)	0.0	-38.8	0.0	0.0
DCLG Capital grant (Other)	0.0	-686.8	-636.5	-660.8
Unspent LDA borrowings b/f	0.0	-33.8	-23.2	-11.8
Revenue funding of capital	-4.6	0.0	0.0	0.0
Other Funding	-11.9	-4.9	0.0	0.0
Total Capital Funding	-900.2	-1,628.7	-1,570.9	-1,244.5

Note: Figures may not sum exactly due to rounding. LEP expenditure financed by growing places fund grant and HCA programme expenditure is fully funded by DCLG Grant.

Section 10 – Draft Capital spending plan and Borrowing Limits

10.8 The GLA's financing costs are set out below.

Capital financing costs	2012-13	2013-14	2014-15
	£m	£m	£m
Minimum revenue provision for debt repayment	0.2	9.5	8.6
External interest (Non Crossrail)	14.8	13.5	10.4
External interest (Crossrail - financed by BRS)	101.0	144.0	190.0
Total financing costs	116.0	167.0	209.0

Mayor's Office for Policing and Crime

10.9 The MOPC's draft capital spending plan 2012-13 – 2014-15 reflects the approved MPA Capital Strategy which focuses on the:

- Need to meet statutory requirements, or those resulting from a public enquiry;
- Compliance with health and safety enforcement notices;
- Essential replacement or upgrade of core infrastructure upon which other elements of the investment programme depend;
- Impact on delivery of strategic objectives;
- Continuation or completion of projects where significant investment is already committed or where there is already a contractual commitment;
- Delivery of significant capital or revenue savings;
- Delivery of projects which demonstrate a significant return on investment; and
- Delivery of business benefits with particular emphasis on performance improvement.

10.10 The Strategy is supported by individual property, information technology and transport strategic plans, as well as developed asset management programmes.

10.11 For 2012-13 the draft capital spending plan totals £191.7m, with an over-programming limit of £20.8m – equivalent to around 10 per cent of planned expenditure. For 2013-14 the proposed programme is £178.2m with an over-programming limit of £47.8m and for 2014-15 the proposed programme is £154.9m with £36.6m of overprogramming. The figures for both years will be subject to review by the MOPC and therefore may change before the Mayor agrees the final capital spending plan at the end of February 2011.

10.12 In preparing the draft capital programme 2012-13 to 2018-19 it has been necessary to:

- Recognise the committed schemes delayed or slipping from 2011-12, expected to carry their 2011-12 funding with them into 2012-13;
- Give due consideration to those projects that have specific funding sources e.g. specific grants, third party contributions, major change programmes, revenue contributions and earmarked reserves; and
- Consider the organisational priority and timeliness of specific projects with obligations on delivery times. e.g. Olympics preparation will have concluded.

Section 10 – Draft Capital spending plan and Borrowing Limits

10.13 The MOPC draft capital programme will be subject to further development before the approval of the Mayor's final capital spending plan in February 2012. It excludes plans for Hendon redevelopment which is aiming to be self financing but will require medium term borrowing during planned construction to be repaid by capital receipts. In modelling a programme there is recognition of the high level of commitment to expenditure in future years, as a result of projects underway or planned to commence in the latter part of 2011-12. This significantly restricts the funding available for new initiatives.

MOPC draft capital plan	Revised Budget 2011-12 £m	Forecast Outturn 2011-12 £m	Proposed Budget 2012-13 £m	Proposed Plan 2013-14 £m	Proposed Plan 2014-15 £m
Business Group					
Territorial Policing	6.6	6.6	31.6	2.6	-
Specialist Crime Directorate	1.0	1.0	0.2	0.2	-
Specialist Operations - Counter Terrorism	11.9	12.9	7.5	6.4	-
Specialist Operations - General	6.3	6.3	7.2	-	-
Central Operations - Olympics	7.2	8.0	0.2	-	-
Central Operations - General	2.6	2.5	0.4	0.3	1.1
Directorate of Resources - Property Services	0.2	0.2	7.6	2.1	-
Directorate of Resources - Other	3.3	3.3	0.5	-	-
Directorate of Information - Infrastructure	2.1	1.5	1.5	2.0	0.5
Directorate of Information - General	5.7	4.3	-	-	-
Human Resources	0.8	-	-	-	-
All Business Groups - Corporate	171.3	159.7	135.0	164.6	153.3
Total	219.0	206.3	191.7	178.2	154.9
Less overprogramming	-22.0	-19.3	-20.8	-47.8	-36.6
Grand Total	197.0	187.0	170.9	130.4	118.3
Funding:					
Capital receipts	-40.0	-40.0	-40.0	-40.0	-40.0
Prudential Borrowing	-67.9	-59.9	-58.0	-58.0	-58.0
Capital reserves	-2.7	-2.7	-6.0	-	-
Capital grants & other contributions	-57.3	-52.5	-61.4	-31.2	-19.8
Revenue contributions	-29.1	-31.9	-5.5	-1.2	-0.5
Total funding	-197.0	-187.0	-170.9	-130.4	-118.3

Note: Figures may not sum exactly due to rounding

Section 10 – Draft Capital spending plan and Borrowing Limits

10.14 The financing costs in the Service Analysis table relate to payments on capital expenditure as shown in below. These differ from the service analysis figures for capital financing costs in section 4 as they exclude costs in respect of long term liabilities.

MOPC Capital financing costs	Budget	Forecast	Budget	Plan	Plan
	2011-12	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Minimum revenue provision	21.9	21.9	24.9	26.9	28.8
External interest charges	10.8	11.8	16.1	18.4	20.7
Total financing costs	32.7	33.7	41.0	45.3	49.5

London Fire and Emergency Planning Authority

10.15 The Authority's capital programme has been developed to support achievement of its overall objective of making London a safer city. Overall, the proposed capital expenditure for the Authority in 2012-13 amounts to £12.6m although the precise funding of the programme will depend on the confirmation of LFEPA's capital grant allocation from DCLG which is currently estimated to be £7.5m. Pending confirmation of future capital funding for 2013-14 onwards it is assumed at this stage that the programme in 2013-14 will be primarily financed from borrowing.

LFEPA draft capital plan	Budget	Forecast	Budget	Plan	Plan
	2011-12	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
IT projects	1.9	1.5	0.6	0.5	1.3
Community fire safety	0.1	0.0	0.0	0.0	0.0
New Respiratory Protection Equipment	0.1	0.0	0.0	0.0	0.0
Resilience projects	0.7	0.2	0.2	0.0	0.0
Refurbishment of fire stations	6.0	2.7	5.7	7.7	8.1
Extensions of fire stations	1.1	0.7	0.3	0.0	0.0
New/Replacement fire stations					
London Safety Plan	4.1	4.4	0.2	0.0	0.0
Other property projects	0.5	0.0	0.8	2.2	1.6
Sustainability projects	1.6	1.6	1.6	0.6	0.6
Minor improvements programme	1.0	1.0	1.0	1.0	1.0
Other projects	1.3	2.2	2.3	2.5	1.3
Total project spend	18.2	14.3	12.6	14.6	13.9
Less Over-programming	-0.4	0.0	0.0	0.0	0.0
Total capital expenditure	3.1	3.0	0.0	0.0	0.0
Funding:					
Capital receipts	-3.1	-3.0	0.0	0.0	0.0
Borrowing	-6.7	-3.1	-5.1	-14.6	-13.9
Capital grants	-8.1	-8.2	-7.5	0.0	0.0
Total funding	-17.8	-14.3	-12.6	-14.6	-13.9

Note: Figures may not sum exactly due to rounding

Section 10 – Draft Capital spending plan and Borrowing Limits

10.16 The financing costs in the Service Analysis table relate to minimum revenue provision and interest payments on capital expenditure as shown in the table below.

LFEPA Capital financing costs	2012-13	2013-14	2014-15
	£m	£m	£m
Minimum revenue provision & external interest	11.0	11.0	10.9
Total financing costs	11.0	11.0	10.9

Transport for London

10.17 TfL expects to spend £3.2bn on capital projects in 2012-13 (including Crossrail). These will be funded from a variety of sources including Government grants, revenue contributions, borrowing, third party contributions and transfers from earmarked reserves. The planned borrowing is both affordable and sustainable. Overall levels of borrowing planned are well within the levels found in the rest of Europe, and debt service ratios would be within the average level for similar rated transport entities. Transport for London issued a revised Business Plan in March 2011, which took into account the impact of its funding settlement over the four years covered by the Spending Review. The capital spending plan is consistent with this albeit updated for developments during 2011.

10.18 The published TfL Business Plan includes Crossrail on the basis of the TfL cash commitment to funding the Crossrail project. The table below also includes the capital expenditure to be incurred in relation to Crossrail.

TfL	Forecast	Budget	Plan	Plan
Draft Capital spending plan	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
London Underground/Tube Lines	1,232	1,446	1,540	1,462
London Rail	265	73	16	-7
Surface Transport	214	200	220	265
Corporate	53	125	81	37
Crossrail	915	1,366	1,425	1,891
Total capital expenditure	2,680	3,209	3,282	3,647
Funding:				
Capital receipts	-143	-159	-164	-86
Capital grant	-477	-376	-184	0
Borrowing	-403	-425	-319	-379
Crossrail funding sources (incl GLA contributions)	-1,560	-2,058	-2,067	-1,693
Revenue contributions (including use of reserves and third party contributions)	-97	-191	-548	-1,490
Total funding	-2,680	-3,209	-3,282	-3,647

Note: Figures may not sum exactly due to rounding

Section 10 – Draft Capital spending plan and Borrowing Limits

10.19 TfL's capital programme will require new borrowing of some £425m for 2012-13, £319m in 2013-14 and £379m in 2014-15. The debt servicing costs are set out below.

TfL Capital financing	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Debt Servicing costs	487	312	340	365
Total financing costs	487	312	340	365

London Underground and Tube Lines

10.20 Capital projects directly managed by London Underground and Tube Lines are shown in the table below:

Draft LUL/Tube Lines Capital Spending Plan	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Stations	208	335	385	384
Power	103	126	107	91
Track	142	179	216	203
Civils	11	35	14	13
Lifts and escalators	14	17	31	29
Sub-surface railway upgrade	501	545	572	532
Jubilee/Northern/Piccadilly line upgrades	124	149	145	156
Bakerloo/Central/Victoria line upgrades	119	49	62	31
Infrastructure Management	23	9	7	3
Other (including over-programming)	-11	2	1	20
Total capital expenditure	1,232	1,446	1,540	1,462

Note: Figures may not sum exactly due to rounding

Surface Transport

10.21 Capital projects directly managed by Surface Transport are shown in the table below:

Draft Surface Transport Capital Spending Plan	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Better Routes and Places	36	31	31	26
Countdown and iBus	12	7	0	0
Bus infrastructure	8	5	5	4
Cycle hire	32	10	1	1
Traffic signals	21	21	15	15
Highways, tunnels and structures	99	67	110	166
Other (including over-programming)	7	58	57	53
Total capital expenditure	214	200	220	265

Note: Figures may not sum exactly due to rounding

Section 10 – Draft Capital spending plan and Borrowing Limits

London Rail

10.22 Capital projects directly managed by London Rail are shown in the table below:

Draft London Rail Capital Spending Plan	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
DLR safety/security	12	0	0	0
DLR Infrastructure	29	12	10	9
DLR Stratford International extension	9	1	0	0
DLR stations	10	9	1	1
Overground infrastructure projects	141	28	1	-20
Trams	16	10	5	2
Cable Car	44	15	0	0
Other	3	-1	0	0
Total capital expenditure	265	73	16	-7

Note: Figures may not sum exactly due to rounding

Corporate

10.23 Capital projects directly managed by Corporate Directorates are shown in the table below.

Draft TfL Corporate Capital Spending Plan	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Group Customer Services	5	2	2	1
Property development	14	68	49	33
Integrated transport smartcard	12	7	0	0
Future ticketing project	17	30	11	0
Group Information management	2	1	1	3
Group property and facilities	0	14	14	0
Other	3	4	3	0
Total capital expenditure	53	125	81	37

Note: Figures may not sum exactly due to rounding

TfL Borrowing

10.24 The above capital programmes would require new borrowing of £425m for 2012-13.

Borrowing	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
TfL	459	425	319	379
Total	459	425	319	379

Section 10 – Draft Capital spending plan and Borrowing Limits

Olympic Park Legacy Company

10.25 The OPLC's capital expenditure programme totals some £161.4m in 2012-13. The table below details capital expenditure and the known capital funding plan for 2012-13 to 2014-15. The precise funding profile for 2013-14 and 2014-15 is to be confirmed.

OPLC draft capital plan	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Expenditure				
Park Operations and Venues	3.3	20.6	35.0	12.0
Real Estate	22.0	32.6	45.7	8.5
VAT/Stamp duty land tax (SDLT)	2.7	5.8	8.9	2.3
Contingency	1.2	2.9	6.5	1.6
Programme Management	0.8	1.6	2.4	0.6
Transformation	10.7	96.9	171.0	13.9
Olympic fringe public realm	2.0	1.0	0.0	0.0
Total expenditure	42.7	161.4	269.5	38.9
Funding				
Capital grant (DCLG)	-30.0	-64.0	-84.0	-39.0
Transformation (Public sector funding package)	-10.7	-96.4	-171.0	-13.9
Olympic fringe public realm	-2.0	-1.0	0.0	0.0
Revenue contributions	0.0	0.0	0.0	0.0
Borrowing	0.0	0.0	0.0	0.0
Capital receipts	0.0	0.0	0.0	0.0
Total funding	42.7	161.4	TBC	TBC

10.26 The OPLC's current capital plan does not include any requirement to borrow over the period 2012-13 to 2014-15 and therefore its planned debt repayment and financing costs are zero. Should there be a requirement to borrow in 2013-14 and 2014-15 this will result in financing costs being incurred in both years.

OPLC Capital financing costs	2012-13	2013-14	2014-15
	£m	£m	£m
Debt repayment	0.0	0.0	0.0
Capital financing and interest costs	0.0	0.0	0.0
Total financing costs	0.0	0.0	0.0

Section 10 – Draft Capital spending plan and Borrowing Limits

GLA Group Borrowing

- 10.27 The above capital programmes would require new borrowing of some £1,188m in 2012-13. Under the Local Government Act 2003, it is the Mayor who determines borrowing limits for the GLA Group and these decisions will be taken later on in the budget process.

Borrowing	2012-13 £m	2013-14 £m	2014-15 £m
Mayor's Office for Policing and Crime	58.0	58.0	58.0
London Fire & Emergency Planning Authority	5.1	14.6	13.9
Greater London Authority (Crossrail)	700.0	800.0	500.0
Transport for London	425.0	319.0	379.0
OPLC	0.0	TBC	TBC
Total	1,188.1	1,191.6	950.9

Proposed Borrowing Limits for 2012-13 to 2014-15

Authorised Limits for 2012-13 to 2014-15

- 10.28 Under the Local Government Act 2003 the Mayor is required to approve the Authorised Limits for the total external debt, excluding investments, for the GLA and each functional body. This limit is the expected maximum borrowing needed by each functional body with some headroom for unexpected developments such as unusual cash movements having regard to their capital plans. These limits separately identify borrowing from other long-term liabilities such as finance leases. For TfL, the Mayor is required to approve prudential borrowing limits for the Corporation and not the Group.
- 10.29 The proposed authorised limits for 2012-13 to 2014-15 are summarised in the tables below and for 2012-13 and 2013-14 compared to the existing limits approved by the Mayor for both years in March 2011. The Mayor is required to approve the final limits by 31 March 2012. The 2011-12 borrowing limit for LFEPA will, subject to the formal approval of the Mayor, be increased by £15m and it is possible that other changes may be requested by other functional bodies before the end of the financial year. The Assembly will be consulted before any further changes to the 2011-12 limits are made.

Authorised limit for external debt – GLA

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	3,500.0	3,500.0	4,000.0	3,500.0	4,000.0	4,000.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	3,500.0	3,500.0	4,000.0	3,500.0	4,000.0	4,000.0

Section 10 – Draft Capital spending plan and Borrowing Limits

Authorised limit for external debt - MOPC

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	389.2	424.1	471.0	456.4	506.7	540.3
Long term liabilities	115.3	111.8	111.8	108.1	108.1	104.1
TOTAL	504.5	535.9	582.8	564.5	614.8	644.4

Note: As MOPC finalises its budget proposals going forward it may change the mix of borrowing/long term liabilities as necessary.

Authorised limit for external debt - LFEPA

	2011-12 Current Approval* £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	140.0	139.0	139.0	139.0	139.0	140.0
Long term liabilities	78.0	75.0	90.0	78.0	93.0	93.0
TOTAL	218.0	214.0	229.0	217.0	232.0	233.0

*LFEPA has requested that the long term liability element of their limit for 2011-12 be increased by £15m to £93m. This would result in the total authorised limit for 2011-12 being increased to £233m. This arises due to the financial implications of the Authority's plans to outsource its training functions. A separate consultation on these changes has taken place with the Assembly and the changes are expected to be approved by the Mayor in January 2012. The impact of this change is reflected in the proposed limits for 2012-13 to 2014-15.

Authorised limit for external debt - TfL**

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	7,108.0	7,108.0	7,553.0	7,898.0	7,898.0	8,548.0
Long term liabilities	415.0	415.0	392.0	346.0	346.0	309.0
TOTAL	7,523.0	7,523.0	7,945.0	8,244.0	8,244.0	8,857.0

**TfL subsidiary companies are not directly covered by the prudential borrowing regime and therefore the above limits relate to the TfL Corporation only.

Section 10 – Draft Capital spending plan and Borrowing Limits

Authorised limit for external debt – OPLC

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	0.0	0.0	0.0	0.0	TBC	TBC
Long term liabilities	0.0	0.0	0.0	0.0	TBC	TBC
TOTAL	0.0	0.0	0.0	0.0	TBC	TBC

Operational boundary for external debt for 2012-13 to 2014-15

10.30 The operational boundary for external debt is based on the same estimates as the authorised limit. However it reflects an estimate of the most likely, prudent but not worst case scenario. It equates to the maximum level of external debt projected by the draft capital spending plans and excludes the headroom included within the authorised limit.

Operational Boundary – GLA

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	1,500.0	2,200.0	2,700.0	3,000.0	3,500.0	4,000.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,500.0	2,200.0	2,700.0	3,000.0	3,500.0	4,000.0

Operational Boundary – MOPC

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	338.4	368.8	409.5	396.9	440.6	469.8
Long term liabilities	115.3	111.8	111.8	108.1	108.1	104.1
TOTAL	453.7	480.6	521.3	505.0	548.7	573.9

Section 10 – Draft Capital spending plan and Borrowing Limits

Operational Boundary – LFEPA

	2011-12 Current Approval * £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	135.0	139.0	139.0	139.0	139.0	135.0
Long term liabilities	78.0	75.0	90.0	78.0	93.0	93.0
TOTAL	213.0	214.0	229.0	217.0	232.0	228.0

*LFEPA has requested that the long term liability element of their limit for 2011-12 be increased by £15m to £93m. This would result in the total authorised limit for 2011-12 being increased to £228m. This arises due to the financial implications of the Authority's plans to outsource its training functions. A separate consultation on these changes has taken place with the Assembly and the changes are expected to be approved by the Mayor in January 2012. The impact of this change is reflected in the proposed limits for 2012-13 to 2014-15.

Operational Boundary – Tfl**

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	6,908.0	6,908.0	7,353.0	7,698.0	7,698.0	8,348.0
Long term liabilities	415.0	415.0	392.0	346.0	346.0	309.0
TOTAL	7,323.0	7,323.0	7,745.0	8,044.0	8,044.0	8,657.0

**Tfl subsidiary companies are not directly covered by the prudential borrowing regime and therefore the above limits relate to the Tfl Corporation only

Operational Boundary – OPLC

	2011-12 Current Approval £m	2012-13 Approved £m	2012-13 Proposed £m	2013-14 Approved £m	2013-14 Proposed £m	2014-15 Proposed £m
Borrowing	0.0	0.0	0.0	0.0	TBC	TBC
Long term liabilities	0.0	0.0	0.0	0.0	TBC	TBC
TOTAL	0.0	0.0	0.0	0.0	TBC	TBC

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

Table 1: Subjective analysis for Mayor and Assembly Combined

Subjective analysis	Revised	Budget	Planned	Planned
	Budget		Budget	Budget
	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Staff costs	36.5	43.0	40.3	40.3
Premises costs	11.1	19.5	18.2	17.3
Supplies and services	61.2	125.1	63.0	48.1
Transfer payments to third parties:				
Olympic funding agreement	60.4	60.4	60.4	60.4
London Waste and Recycling Board	9.5	1.5	1.5	1.5
Museum of London	7.8	7.6	7.6	7.6
London and Partners	16.0	14.0	12.0	12.0
Capital financing costs:				
Capital financing costs - Crossrail	57.0	101.0	144.0	190.0
Capital financing costs – Other	0.0	14.8	13.5	10.4
Capital financing costs – MRP	0.0	0.2	9.5	8.6
Capital financed by revenue and reserves	0.8	0	0.0	0.0
Total revenue expenditure	260.3	387.1	370.0	396.2
Sales fees and charges	-0.5	-0.8	-0.6	-0.6
Rental income	-0.6	-3.1	-2.6	-2.0
Specific grants	-35.2	-93.8	-54.9	-64.8
Public sector funding package	0.0	-34.9	0.0	0.0
Crossrail business rate supplement	-57.0	-101.0	-144.0	-190.0
Interest receivable	-1.1	-1.7	-1.3	-1.0
Other income	-9.4	-4.5	-3.5	-3.5
Total income	-103.8	-239.8	-206.9	-261.9
Net cost of services	156.6	147.3	163.1	134.3
Transfer to/from reserves	-1.5	-7.8	-27.2	0.5
Budget requirement	155.1	139.5	135.9	134.8
Less GLA General Grant	-63.5	-49.8	-46.1	-44.4
Council tax requirement	91.6	89.7	89.8	90.4

Note: Figures may not sum exactly due to rounding

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

Table 2: Savings & efficiencies (Core GLA Functions)

Savings and efficiencies	2012-13	2013-14	2014-15
	£m	£m	£m
Mayor's private office	0.1	-	-
Corporation Management team	0.2	-	-
External affairs	0.1	-	-
Communities and intelligence	0.3	-	-
Development and Environment	0.2	-	-
Resources	0.5	-	-
Capital financing (no longer funding capital programme from revenue)	0.8	-	-
Museum of London grant reduction	0.4	-	-
London Assembly	0.3	-	-
Savings to be identified – Assembly	-	0.6	1.2
Savings to be identified – Mayor	-	3.1	6.2
Total	2.9	3.7	7.4

Note: Savings for 2013-14 and 2014-15 are to be determined having regard to the outcome of the final GLA settlement for those years.

Table 3: Devolution Impacts: New initiatives

New initiatives	2012-13
	£m
Staff costs	7.3
Property and regeneration costs	8.4
Supplies and services	23.3
Interest payable	14.8
Corporation tax	3.0
Rental income	-2.6
Total	54.2

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

Table 4: GLA Revenue Grant Funding Applied in Budget Planning Assumptions

Forecast Government grant	2012-13	2013-14	2014-15
	£m	£m	£m
Notional Specific grants			
Seaside and country homes (Housing moves)	0.4	-	-
ESF Programmes	3.0	2.9	1.5
ERDF Management and administration	1.0	1.0	1.0
Growing places fund	0.8	0.0	0.0
Devolution Funding (HCA and LDA)	36.4	26.5	37.8
Gangs, guns and knives programme	1.1	1.1	1.1
2011-12 Council tax freeze grant	23.4	23.4	23.4
2012-13 Council tax freeze grant	27.7	0.0	0.0
Sub total specific grants	93.8	54.9	64.8
Baseline GLA functions (core grant)	40.7	37.0	35.2
Ordnance survey top slice	-0.9	-0.9	-0.9
LWARB	1.5	1.5	1.5
Rough sleepers and homelessness initiatives	8.5	8.5	8.5
Sub total GLA general grant	49.8	46.1	44.3
Total	143.6	96.9	101.1

Note: The GLA's actual settlement has been agreed and will be confirmed via a Grant Offer letter in mid January 2012 and the above estimates reflect the expected settlement. With the exception of the council tax freeze and Home Office (gangs guns and knives programme) grants it is possible that some or all of the specific grants above may be paid through GLA general grant. The precise split will affect the breakdown of the council tax requirement for the Mayor and Assembly but not the total requirement for the GLA.

The Community safety grant – estimated to be £5.4m in 2012-13 – is now reflected in the MOPC budget.

The GLA will also receive funding towards the costs of OPLC. Indicative estimates for this are reflected in the OPLC's budget in section 7 (i.e. £10.6m in 2012-13, £26.6m in 2013-14 and £28.2m in 2014-15)

Appendix B: Mayor's Office for Policing and Crime (formerly MPA)

Table 1: Subjective analysis

Subjective analysis	Revised Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m
Total Pay and Overtime	2,729.7	2,709.2	2,710.2	2,609.7	2,635.7
Total Running Expenses	776.6	792.7	750.4	688.0	700.3
Capital Financing Costs	53.5	47.6	56.4	59.7	62.9
TOTAL EXPENDITURE	3,559.8	3,549.5	3,517.0	3,357.4	3,398.9
Income					
Interest Receipts	-0.8	-0.8	-0.8	-0.8	-0.8
Other Income	-294.4	-296.9	-291.6	-291.5	-291.5
Specific Grants	-495.4	-488.3	-559.2	-340.0	-333.5
TOTAL INCOME	-790.6	-786.0	-851.6	-632.3	-625.8
Discretionary pension costs	33.1	33.1	33.1	33.1	33.1
Community safety staff and programmes transferred from GLA	N/A	N/A	1.8	1.7	1.1
Community safety Home Office grant transferred from GLA	N/A	N/A	5.4	0.0	0.0
Savings to be identified	0.0	0.0	-85.5	-144.8	-226.2
NET EXPENDITURE	2,802.3	2,796.6	2,620.2	2,615.2	2,581.2
Transfer to/ from reserves	-89.3	-83.6	-19.0	-5.4	-1.4
Budget Requirement	2,713.0	2,713.0	2,601.2	2,609.8	2,579.8

Note: Figures may not sum exactly due to rounding

* The figures for 2012-13 to 2014-15 shown in the table in respect of the Community safety staff and programmes transfer from GLA have been revised compared to the consultation budget which assumed a flat rate £2.1m in each year.

Appendix B: Mayor's Office for Policing and Crime (formerly MPA)

Table 2: Savings and efficiencies

This table represents the additional savings and efficiencies proposed compared to the previously approved plan which was set out in the Annual Policing Plan for 2011-12.

Savings and Efficiencies	2012-13	2013-14	2014-15
	£m	£m	£m
Inanimates			
Capital Financing Costs	-7.1	-11.1	-7.9
MPS contribution to NPIA	-4.0	-5.0	-5.0
Employer's National Insurance contributions	-2.0	-2.0	-2.0
Increase in Loan Charges Grant*	-0.8	-0.4	-
Police Officers – contributions towards Association of Train Operating Companies (ATOC) costs	-	-8.1	-10.6
Total Inanimates	-13.9	-26.6	-25.5
Operational capability			
Territorial Policing Development	-9.2	-40.1	-64.0
Territorial Policing efficiencies / restructuring	-1.5	-2.0	-12.5
Specialist Crime Directorate realignment	-2.2	-2.6	-4.8
Central Operations efficiencies / restructuring	-2.0	-7.3	-7.2
Madeline McCann Investigation - additional income	-1.5	-1.5	-1.5
Total Operational capability	-16.4	-53.5	-90.0
Process Improvement/Outsourcing			
Winsor review	-8.0	-15.0	-15.0
Review of Specific Grants	-5.0	-5.0	-5.0
Specialist Crime Directorate process changes	-2.9	-4.7	-6.4
Finance and Resources Modernisation	-1.7	-3.6	-3.6
Professional Service Provider	-1.3	-5.3	-5.3
Uniform Costs	-1.0	-1.0	-1.0
Deputy Commissioner's Portfolio efficiencies / restructuring	-1.0	-1.8	-3.0
IT Systems	-0.9	-1.5	-5.5
Resources efficiencies/restructuring	-0.5	-0.5	-0.5
Next generation of Major Change Programme	-	-10.0	-20.0
Directorate of Public Affairs efficiencies/restructuring	-	-1.0	-1.0
Total Process Improvement/Outsourcing	-22.3	-49.4	-66.3
Total Additional Savings and Efficiencies	-52.6	-129.5	-181.8
Reduction due to changes in external grant funding above *	0.8	0.4	-
Total savings and efficiencies	-51.8	-129.1	-181.8

Note: Figures may not sum exactly due to rounding

*As the adjustment relating to the increase in loan charges grant relates specifically to a movement in external funding it has been deducted from the total savings figure. NPIA is the National Policing Improvement Agency

Appendix B: Mayor's Office for Policing and Crime (formerly MPA)

Table 3: New initiatives

This table represents the new initiatives and growth proposed compared to the previously approved plan which was set out in the Policing London Business Plan for 2011-12.

New initiatives/growth	2012-13	2013-14	2014-15
	£m	£m	£m
Inanimates			
2010/11 underspend below target level of £11m	3.4	-	-
IT Contractual Inflation	2.0	2.0	2.0
IT Systems	-	-	5.0
Total Inanimates	5.4	2.0	7.0
Operational capability			
Diamond Jubilee	14.9	-	-
Major Change Programme Training reprofile of savings and staff changes	3.8	1.0	0.9
Revised Income Projections	0.9	0.9	0.9
Total Operational capability	19.6	1.9	1.8
Process Improvement/Outsourcing			
Terms and Conditions (Police Staff)	8.3	12.3	12.3
IT Systems - Growth	5.3	7.9	7.9
Improving Police Information (Borough Intelligence Unit portal)	1.4	1.4	1.4
Multi Agency Safeguard Hub	1.0	1.0	1.0
Total Process Improvement/Outsourcing	16.0	22.6	22.6
Mayoral commitment to maintain Police Officer numbers at or around existing levels	34.4	73.4	98.5
Total additional initiatives and growth	75.4	99.9	129.9

Note: The above table excludes the funding transferred from the GLA in respect of its community safety functions and programmes to MOPC.

Appendix C: London Fire and Emergency Planning Authority

Table 1: Subjective analysis

Subjective analysis	Revised	Forecast	Budget	Plan	Plan
	Budget	Outturn			
	2011-12	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Operational staff	277.9	273.2	273.9	273.5	273.4
Other staff	53.3	58.3	52.5	51.5	51.5
Employee related	8.3	9.4	6.2	6.2	6.2
Pensions	18.1	18.1	17.9	18.7	19.3
Premises	31.1	31.2	30.5	32.7	33.7
Transport	27.4	26.7	25.2	23.3	24.7
Supplies and services	24.4	24.1	23.4	23.7	24.0
Third party payments	0.5	0.5	0.5	0.5	0.5
New initiatives	0.0	0.0	0.0	0.0	0.0
Savings to be allocated	-	-	0.0	-29.8	-64.0
Capital financing costs	11.4	11.1	11.0	11.0	10.9
Central contingency against inflation	0.3	-1.6	7.0	15.6	24.4
Total revenue expenditure	452.7	451.0	448.1	426.8	404.7
Total income	-37.0	-38.2	-38.3	-40.2	-41.3
Net revenue expenditure	415.6	412.8	409.8	386.6	363.4
Use of reserves	-6.2	-3.4	-30.0	0.0	0.0
Budget Requirement	409.4	409.4	379.8	386.6	363.4

Table 2: New initiatives

New initiatives	2012-13	2013-14	2014-15
	£m	£m	£m
Gas Tight Suits replacement	0.4	0.8	0.0
Property PFI requirement	0.0	0.1	0.1
Security guard service contract increase	0.0	0.0	0.0
Application and Server Infrastructure - hardware and software	0.2	0.2	0.2
Software licences and hardware support renewal	0.1	0.1	0.1
Total new initiatives	0.7	1.2	0.4

Table 3: Savings and efficiencies

Savings and efficiencies	2012-13	2013-14	2014-15
	£m	£m	£m
Procurement efficiencies	2.9	2.2	2.2
Cost avoidance	6.2	2.3	2.3
Establishment efficiencies	9.7	5.0	5.0
Income	2.3	1.6	1.6
Total savings and efficiencies	21.1	11.1	11.1

Appendix D: Transport for London

Table 1: Subjective Analysis

Subjective analysis	Budget 2011-12 £m	Forecast 2011-12 £m	Budget 2012-13 £m	Budget 2013-14 £m	Budget 2014-15 £m
Income					
Fares Revenue	-3,463	-3,513	-3,762	-4,057	-4,363
Congestion Charging	-142	-152	-146	-148	-144
Enforcement Income	-98	-118	-113	-115	-113
PCO & VCS Fees	-35	-35	-34	-34	-35
Advertising Income	-109	-120	-131	-144	-160
Rental Income	-59	-58	-68	-73	-74
Other Income	-135	-105	-129	-159	-183
Total Income	-4,040	-4,100	-4,383	-4,729	-5,071
Operating Expenditure					
Employee Expenses	1,792	1,797	1,897	1,893	1,924
Premises	266	264	282	293	271
PPP Payments	25	9	18	15	14
PFI Payments	203	199	200	207	211
Bus Contract Payments	1,704	1,695	1,748	1,829	1,924
CCS & Other Road Contracted Services	66	82	109	83	88
Asset Maintenance & Local Authority Payments	700	680	668	693	662
Professional and Management Consultancy Fees	79	86	72	49	50
Management Consultancy Development Fees	158	156	137	127	140
Ticket Commissions	50	45	52	56	61
Customer Information	55	41	42	44	46
National Rail Payments	9	8	9	8	8
Franchise Payments	225	224	244	249	249
Information Technology	252	224	240	240	239
Insurance	48	55	49	50	53
Traction Current	81	80	98	109	111
Other Expenses	-30	-131	-21	14	19
Bad Debt Provision	44	50	49	48	48
Total Operating Expenditure	5,725	5,563	5,893	6,008	6,118
Net Operating Expenditure	1,685	1,464	1,510	1,279	1,047
Capital Expenditure	2,007	1,850	1,890	1,889	1,772
Third Party Contributions	(74)	(86)	(46)	(31)	(15)
Property Sales/Capital receipts	(40)	(56)	(113)	(133)	(71)
Interest and Other Group Items	358	525	353	318	324
Total Net Service Expenditure	3,937	3,696	3,594	3,322	3,057

Note: Figures in the table above may not sum exactly due to rounding.

PCO is the Public Carriage Office, CCS is the Congestion charging scheme and VCS is Victoria Coach Station

Appendix D: Transport for London

Table 2: Operational Expenditure - Increases and Decreases

Net operational increases and decreases	2012-13	2013-14	2014-15
	(vs 2011-12)	(vs 2012-13)	(vs 2013-14)
	£m	£m	£m
LU operations	-14	1	-3
LU central services	-15	21	-17
LU Investment Programme	-58	-53	4
Better Routes and Places	-25	-2	-45
Bus network	-25	19	30
Road space management – 2012 Games	26	-44	0
DLR – Games 2012	8	-12	0
Group Information Management	-12	-10	-8
Group property and facilities	-12	8	-15
Fares and ticketing	21	10	-12
Other	48	-36	-32
Total	-58	-97	-99

Table 3: Savings and efficiencies

Savings and efficiencies expected to be delivered by TfL from 2011-12 to 2014-15 are summarised in the table below. These are based on the March 2011 Business Plan updated for TfL's third annual continuous savings exercise conducted during 2011.

Efficiency Targets	2011-12	2012-13	2013-14	2014-15
	Forecast	Budget	Plan	Plan
	£m	£m	£m	£m
London Underground (LU)	528	567	579	635
Surface Transport	258	301	312	340
Corporate and Group Wide	247	248	252	251
London Rail	17	18	19	22
Total Gross Savings	1,050	1,133	1,161	1,247

The table below illustrates the proportion which these efficiency savings represent as a total of TfL's reducible costs.

	2011-12	2012-13	2013-14	2014-15
	Forecast	Budget	Budget	Budget
	£m	£m	£m	£m
Reducible Costs	5,912	6,062	6,134	6,247
Gross Savings	1,050	1,133	1,161	1,247
Percentage	18%	19%	19%	20%

A considerable proportion of TfL's expenditure is committed through PFI and long-term contracts. These items are excluded from reducible expenditure.

Appendix D: Transport for London

Table 4: Application of Net Congestion Charging Revenue

It is anticipated that net revenue (after direct operating costs) of £118m will be generated from the Congestion Charge in 2012-13. This is after the removal of the Western Extension of the Congestion Charging zone. An indicative attribution on how this revenue will be applied in line with the Congestion Charging scheme order is shown below.

	2012-13 £m
Congestion Charging	
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. A new generation of Countdown will be introduced which will deliver real-time arrival and service information for all routes and stops. Ninety new hybrid buses will have entered service during 2011 with the hybrid fleet forecast to be 300 strong by December 2012. The New Bus for London completes the developments stage in 2012-13 with eight prototype buses due to enter passenger service in early 2012.	96
Borough plans:	
The 32 London boroughs and the Corporation of London control 95 per cent of the Capital's road network, so the successful delivery of innovative projects such as the Barclays Cycle Superhighways will demand close partnership working to achieve the Mayor's priorities.	8
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.	10
Road safety:	
Investment will continue in road safety measures on TfL and borough roads via Local Implementation 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.	1
Walking and cycling:	
TfL will continue a programme of improvements for pedestrians, both on its own roads and on borough roads. Investment will be made to promote the benefits of walking, making it easier to plan and undertake journeys on foot, and deliver a safe, comfortable, attractive street environment. Investment will continue in projects designed to create and sustain an environment that enhances the attractiveness of cycling including the Barclays Cycle Hire scheme and Barclays Cycle Superhighways.	3
Congestion Charge net revenue	118

Appendix E: Olympic Park Legacy Company

Table 1: Subjective analysis

Subjective analysis	Forecast	Budget	Plan	Plan
	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Employee expenses	7.4	8.1	8.5	8.0
Premises costs	0.8	0.8	0.8	0.8
Supplies and services	10.9	17.4	27.5	47.2
Total revenue expenditure	19.1	26.3	36.8	56.0
GLA Funding	-15.1	-5.0	-10.0	-10.0
Government Grant	-9.5	-10.6	-26.6	-28.2
Other income	-0.6	-6.1	-2.2	-16.7
Total income	-25.2	-21.7	-38.8	-54.9
Net revenue expenditure	-6.1	4.6	-2.0	1.1
Use of reserves	6.1	-4.6	2.0	-1.1
Budget and Council Tax Requirement	0.0	0.0	0.0	0.0

Table 2: New initiatives (Additional posts)

New initiatives	2012-13	2013-14	2014-15
	Posts (FTE)	Posts (FTE)	Posts (FTE)
Expansion of capital programme	11.0	-	-
Transfer of London Thames Gateway Development Corporation, ODA and OPLC staff	18.0	-	-
Operational mobilisation	-	2.0	-
Total new initiatives	29.0	2.0	0.0

Table 3: Savings and efficiencies (Reduction in posts)

Savings and efficiencies	2012-13	2013-14	2014-15
	Posts (FTE)	Posts (FTE)	Posts (FTE)
Reduction in programme funded set up staff	-5.0	-	-
Reduction in capital administration	-	-4.0	-16.0
Planning team efficiency savings	-	-	-2.0
Total savings and efficiencies	-5.0	4.0	-18.0

Appendix F: Games and Legacy

Greater London Authority: Mayor of London

The Mayor's role with respect to the London 2012 Games is split broadly into three categories of work: supervising the overall Games programme, and in particular ensuring that his obligations under the Host City Contract are met; co-ordinating London's City Operations programme; and co-ordinating a range of work in different fields to secure the best possible legacy and benefits from the Games for London. This work is co-ordinated by the GLA's London 2012 Directorate.

The following elements of this work have particular implications for the budget and resources of the GLA.

Council tax precept

The Mayor has committed to raise up to £625m from London Council Taxpayers as a contribution to a public sector funding package for the 2012 Olympic Games and Paralympic Games. The Mayor's component budget includes the estimated sum of £60.4m to be raised in 2012-13 (before any increase due to the GLA taxbase).

The present forecast, based on a continuing marginal increase in the Council Tax base is that £625m would be raised by a Band D amount of £20 for 10 years and approximately £8 in year 11 in 2016-17.

It is estimated that the Olympic precept will be applied as follows in 2012-13:

Application of the Games precept	2012-13 Estimate £m
Look & Feel - a programme outside of the venues to create the best possible Games experience for everyone including athletes, spectators, visitors and Londoners.	13.8
Borough grant funding - for boroughs' additional expenditure related to the operational arrangements for staging the games	15.1
GLA Olympic Programmes - comprising the establishment and running of a non-accredited media centre; accessibility improvements to the South Bank; the London Ambassadors Programme to train 8,000 Londoners to assist London during Games time; and borough programme assurance.	7.0
Olympic Delivery Authority - contribution to the ODA's budget for developing and building the new venues and infrastructure for the Games	24.5
Total Olympic precept income	60.4

Appendix F: Games and Legacy

City Operations

The Mayor is driving the City Operations programme for London, which seeks both to co-ordinate public services in London during the Games and to extend an outstanding Games experience out of the London 2012 venues and across the rest of the capital. Many of the programmes described in the table above – under the headings of the Look & Feel programme, borough grant funding and other GLA Olympic programmes – are part of the wider City Operations programme. Other initiatives include the Live Sites programme and a range of cultural events, performances, guided walks and information services designed to offer Londoners and visitors the richest possible experience in summer 2012.

East London Legacy

The Mayor's London Plan states that "to deliver fundamental economic, social and environmental change within east London, and to close the deprivation gap between the Olympic host boroughs, and the rest of London...will be London's single most important regeneration project for the next 25 years". The ambition to close the deprivation gap between the Olympic host boroughs and the rest of London is known as 'convergence', and the London Plan further commits that "the GLA and its functional bodies will take account of this ambition in the development and implementation of all strategies, plans and business plans".

The Mayor plans to make a contribution of £5.0m in 2012-13 towards the running costs of what will by then be the Mayoral Development Corporation. This is expenditure that the LDA was committed to incurring as grant funding for OPLC in 2012-13 towards legacy development had it continued in existence. This expenditure is included under 'Former HCA/LDA Activities' in the GLA service/directorate analysis table in section 2.

The Mayor's component budget also makes provision for the costs of financing outstanding LDA Olympic debt of £349m which will transfer to the GLA on 1 April 2012. A total of £15.0m is included for 2012-13 and £57.0m over the period to 2014-15. There is also provision for estimated expenditure of £33.8m in 2012-13 in the Mayor's Capital Spending Plan for liabilities transferring from the LDA for compulsory purchase order obligations relating to the Olympic land assembly programme. It is estimated that total costs will be £68.8m over the period to 2014-15 for the CPO cases remaining to be settled.

The Mayor has also granted a total of £3.25m to the Legacy Company/MDC over years 2011-12 and 2012-13 to complete the Olympic Fringe public realm improvements programme which was begun by the LDA. This is reflected in the GLA's draft capital spending plan.

Employment and Skills

In July 2011, the Mayor transferred to the GLA from the LDA a programme of work focused on capturing the employment and skills benefits of the Games for London. This programme delivers £14m (£6.8m in 2012-13) of investment through to the end of 2013-14, and is aimed at ensuring that Londoners – and particularly workless Londoners – have the skills and opportunity to take advantage of job opportunities associated with the preparation, delivery and legacy of the London 2012 Games, and are assisted into long-term sustained employment once Games-related roles have come to an end. They are delivered under contract by three core delivery partners.

Appendix F: Games and Legacy

In addition to the above, the GLA plans to spend an estimated £1.9m next year on work associated with the London 2012 Olympic and Paralympic Games to ensure that, in preparing for the Games, the Mayor's strategies and priorities are delivered to create lasting benefits for communities and businesses both in east London and right across the capital.

Mayor's Office for Policing and Crime

The Metropolitan Police's responsibility for security and safety issues at the London 2012 Olympic and Paralympic Games is being developed through a public service agreement with the Home Office Olympics Security Directorate.

The Metropolitan Police is playing a leading role in delivering a safe, secure and resilient operation to support the London 2012 Olympic and Paralympic Games, with an Assistant Commissioner performing the role of National Olympic Security Coordinator (NOSC). Working with the Home Office Olympic Security Directorate (OSD), other police forces, partner agencies and the community, the NOSC and the MPS are delivering projects commissioned through the Olympic Safety and Security Plan (OSSP). The Games will require the UK's largest ever peacetime safety and security operation – and the Metropolitan Police has been planning for several years, drawing on the experiences of previous host countries and its own considerable event policing experience to ensure that it keeps London safe.

The MPS will ensure that it continues to police the rest of London effectively during Games time and focus on core policing business, in addition to Olympic-related demand. The national Olympic Intelligence Centre (OIC) will work closely with the National Olympic Co-ordination Centre (NOCC), established in New Scotland Yard, to ensure that the NOSC and senior partners have the latest intelligence, and can respond to threats to the security of the Games. An expanded Met Intelligence Bureau (MIB) will provide the same service specifically for London, and feed issues into the OIC.

The Metropolitan Police is mindful of the need to ensure value for money, not just in terms of overall levels of resourcing but also during its procurement of Olympic related goods and services and developing, designing and delivery of additional facilities.

The MPS is addressing legacy in two ways. The first surrounds the geographic legacy of the Olympic Park with the ambition to create a safe, low crime neighbourhood with high social cohesion and engagement with the police. It will continue to work with the Olympic Park Legacy Company which holds responsibility for post-Games development including regeneration and opportunities for the new and emerging local community. The second part of the Olympic Legacy surrounds organisational learning from delivering a safe and secure Games, which will be coordinated by the OPLC.

Estimated total Metropolitan Police Service costs on Olympic-related security and activities between 2010-11 and 2012-13 are estimated at £195.0m with revenue costs amounting to £171 m and capital costs of around £24.0m. Around £107m of this is due to be incurred in 2012-13.

Appendix F: Games and Legacy

The Metropolitan Police's business plan includes the following activities for 2012-13:

- Design and implement the National Olympic Security Co-ordination pan agency led by the MPS in the office of the National Olympic Security Co-ordinator;
- Ensure effective MPS engagement and representation within the Olympic Safety and Security programme (OSSP) during the planning stages for the Games through the Olympic Policing Co-ordination team;
- Implement a strategy and plans for the policing of London in Games time that ensures a safe and secure, and cost-effective, Olympics;
- Ensure the MPS is able to resource the Olympic plan effectively with sufficient staff including specialists as required, without undue impact on core policing business;
- Deliver the MPS Thames Gateway Programme, including capitalising on the geographic legacy of the Olympic Park; and
- Maximise organisational learning from delivering a safe and secure Games.

Indicative expenditure between 2010-11 and 2013-13 broken down between revenue and capital is as follows:

MOPC Revenue Costs	2010-11 Actual £m	2011-12 Forecast £m	2012-13 £m
Police officer pay	12.9	20.1	21.1
Police staff pay	5.4	7.7	8.2
Police officer overtime	0.6	1.2	24.8
Employee related expenditure	1.4	3.7	6.4
Total pay and overtime	20.3	32.7	60.5
Premises costs	0.5	0.6	6.7
Transport costs	0.5	1.1	14.9
Supplies and services	1.7	7.2	24.6
Total Running expenses	2.7	8.9	46.2
Total	23.0	41.6	106.7

MOPC Capital Costs	2010-11 Actual £m	2011-12 Forecast £m	2012-13 £m
IT	12.6	7.4	-
Buildings	2.7	0.4	0.2
Vehicles/Transport	0.2	0.2	-
Total	15.5	8.0	0.2

Note that the above figures represent the best estimate of the London 2012 Olympic and Paralympic Games expenditure by the MOPC. The MOPC will continue to develop its plans up to and through the Games period.

Appendix F: Games and Legacy

London Fire and Emergency Planning Authority

The London Fire Brigade has a vital role in ensuring delivery of a safe and secure Olympic and Paralympic Games in 2012. LFEPA's specific grant for the Olympics for 2011-12 and 2012-13 will be £3.6m of which £1.4m is scheduled to be spent in 2011-12 and £2.2m in 2012-13. This is a reduction of £0.8m from the funding required in the business case submitted to DCLG. LFEPA has tailored its plans to ensure it achieves its Olympic objectives within this reduced funding envelope.

Transport for London

Transport planning for the London 2012 Olympic and Paralympic Games is now in its advanced stages. TfL's aim is to support a spectacular event while keeping London moving. Following some £6.5bn of investment, new transport infrastructure serving Stratford, the Olympic Park and London as a whole is either already complete, or will open by early 2012, delivering a substantial transport legacy.

The Docklands Light Railway (DLR) extension to Stratford International, in the heart of the Olympic Park, opened in August 2011 and work on the east route between Custom House and Beckton is also complete, enabling three-car trains to serve ExCeL London (an important Games venue). Both support the regeneration of important development sites along the route. Within London, TfL is delivering the Olympic Route Network (ORN) and Paralympic Route Network (PRN), the network of roads that connect competition venues along which athletes, officials, media and those working for the Games travel. This includes traffic infrastructure, enforcement regimes, control of roadworks and vehicle removal services.

The Metropolitan Police Service (MPS) Safer Transport Command (STC), which TfL funds, will provide key on-street enforcement and compliance activity on the ORN and PRN, to ensure smooth access between venues. British Transport Police and STC resources will be deployed to key transport hubs, and initiatives are under way to reduce crime and disorder further and to tackle opportunist criminal activity in the lead up to and throughout the Games. TfL will also be preparing the road network for certain events, such as the marathons and road cycling.

The aim is for 100 per cent of spectators to get to the Games by public transport, walking or cycling. To help achieve this, TfL is enhancing greenway routes for cyclists and pedestrians, linking the Olympic Park and River Zone venues. 'Legible London', a wayfinding information system, is being rolled out across the Olympic Park and other Olympic and Paralympic venues. The bus network will also have extra capacity on key routes.

In addition, in order to manage the background demand for travel during the Games, TfL is working to influence people's behaviour by providing travel advice to business, marketing and communications, and travel information. All of these will contribute to a behavioural legacy of sustainable transport from which future generations will benefit.

Transport schemes for the Games are being designed to leave a lasting legacy, combining existing projects near the venues with specific additional improvements.

Appendix F: Games and Legacy

TfL will shortly publish an Olympic and Paralympic Transport Legacy Action Plan describing both the long-term benefits of Games-time operational initiatives, and the additional infrastructure improvements which – building on the investment made in the lead-up to 2012 – will support continued regeneration in growth in east London after the Games.

The schemes are split into two parts:

- Schemes which already formed part of TfL's Investment Programme and would be delivered in time for the Games; and
- Additional Olympic specific schemes funded wholly or partly by the ODA and LOCOG.

	2011-12	2012-13
Pre-existing TfL-funded Schemes	£m	£m
East London Line extension	-	-
Extensions/improvements in capacity on DLR	1	-
Improvements to the A13	24	-
Total	25	-

	2011-12	2012-13
Additional ODA/LOCOG-funded Schemes	£m	£m
North London Railway signalling and infrastructure works	14	-
Conversion of North London Line to DLR operation	4	-
DLR additional railcars	-	-
DLR East Route infrastructure	-	-
DLR West Route signalling	-	-
Stratford Regional upgrade	1	-
Enhancement of London Cycle network	-	-
Enhancement of walking routes	1	-
Olympic Route Network junctions and carriageways	18	30
Piers infrastructure	2	-
Total	40	30

Olympic Park Legacy Company (OPLC)

The OPLC's primary function is to manage and develop the Olympic Park after the Games. Its activities in relation to the Games are addressed in its budgetary information presented within sections 7 (revenue) and 10 (capital). These sections also describe the Mayor's plans to re-form OPLC as a Mayoral Development Corporation, with enhanced powers and a wider boundary.

Appendix G: Savings, Efficiencies and Shared Services

Savings and efficiencies

	2012-13	2013-14	2014-15
	£m	£m	£m
Greater London Authority: Mayor of London	2.9	3.7	7.4
Greater London Authority: London Assembly	0.3	0.6	1.2
Mayor's Office for Policing and Crime	312.6	452.4	504.8
London Fire and Emergency Planning Authority	21.1	11.1	11.1
Transport for London	1,133.0	1,161.0	1,247.0
OPLC	N/A	N/A	N/A
Total	1,469.9	1,628.8	1,771.5

A further £85.5m of savings and efficiencies will need to be delivered to close the MOPC's current funding gap in 2012-13 unless alternative funding sources are identified. For the period 2009-10 to 2011-12 TfL is estimated to have delivered savings of almost £1.8bn with the GLA and other functional bodies over £300m.

Shared Services

The target is to deliver cumulative savings of £450m over two years from the sharing of services and collaborative procurement. The following table summarises the savings that have been budgeted and identifies shortfalls on the annual targets:

Savings - Shared Services and Collaborative Procurement (£m)	2012-13					2013-14				
	GLA	MOPC	LFEPa	TfL	Total	GLA	MOPC	LFEPa	TfL	Total
Audit	0.10		0.07		0.17	0.10		0.07		0.17
Catering		2.10			2.10		5.90			5.90
Communications & Marketing										
Democratic Services	0.04		0.08		0.12	0.04		0.08		0.12
Equalities & Diversity										
Estate Management		15.82	0.07		15.89		24.82	0.07		24.89
Facilities Management										
Fleet Management										
Human Resources - Training		12.00			12.00		12.00			12.00
Human Resources - General		(3.99)	0.04		4.03		3.99	0.04		4.03
Payroll	0.02		0.03		0.05	0.02		0.03		0.05
ICT		17.85			17.85		22.10			22.10
Network Infrastructure										
Websites										
Legal Services	0.20				0.20	0.20				0.20
Finance and Resources	0.30	2.17			2.47	0.30	4.10			4.40
Project Horizon (TfL)				36.00	36.00				36.00	36.00
Shared Services	0.66	53.93	0.29	36.00	90.88	0.66	72.91	0.29	36.00	109.86
Collaborative Procurement		17.33			17.33		17.33			17.33
Total		71.26	0.29	36.00	108.20	0.66	90.24	0.29	36.00	127.18
Shortfall					41.80					172.82
Savings targets					150.00					300.00

Appendix G: Savings, Efficiencies and Shared Services

As MPS and TfL are currently undergoing substantial internal reorganisations, it is not the intention to pursue any major shared service initiatives in 2012-13. However, work will continue to build upon existing arrangements, including:

- Internal Audit
- Democratic Services
- Legal Services
- Payroll

In addition, work will commence on areas with obvious synergies:

- Equalities & Diversity
- Estates Management
- Facilities Management
- Fleet Management
- Treasury Management
- Websites

A longer-term project will also commence to review employment terms and conditions across the group.

Meanwhile, it is proposed that the shortfalls be met by setting targets for additional savings to be achieved from collaborative procurement, for the GLA and each of its functional bodies in proportion to their levels of non-staff expenditure.

The table below shows the estimated non staff expenditure by each functional body in 2011-12 and the resulting targets which have been given for 2012-13 and 2013-14.

	2011-12 Non staff spending £m	2011-12 Share of Non staff spending %	2012-13 Target £m	2013-14 Target £m
Greater London Authority	89	1	0.4	1.8
Mayor's Office for Policing and Crime	925	11	4.5	18.5
London Fire and Emergency Planning Authority	95	1	0.5	1.9
Transport for London	7,539	87	36.4	150.6
OPLC	N/A	N/A	N/A	N/A
Total	8,648	100	41.8	172.8

Although no targets have been formally set for OPLC, they are fully committed to the GLA's shared services agenda and discussions are taking place in advance of the formation of the MDC in order to ensure that efficiencies are achieved.

Appendix H: Summary of Expenditure and Financing

Notional Budget requirement for 2012-13

	Gross expenditure	Specific grants	Other income	Net expenditure	Reserves	Notional Budget requirement
	£m	£m	£m	£m	£m	£m
Mayor's Office for Policing and Crime	3,471.8	-559.2	-292.4	2,620.2	-19.0	2,601.2
Greater London Authority (Mayor and Assembly)	387.1	-93.8	-146.0	147.3	-7.8	139.5
London Fire and Emergency Planning Authority	448.1	-10.9	-27.3	409.8	-30.0	379.8
Transport for London	10,040.0	-3,337.0	-6,945.0	-242.0	248.0	6.0
Olympic Park Legacy Company	26.3	-10.6	-11.1	4.6	-4.6	NIL
Total Other Services	10,901.5	-3,452.3	-7,129.4	319.7	205.6	525.3
Total GLA Group	14,373.3	-4,011.5	-7,421.8	2,939.9	186.6	3,126.5

Council Tax Requirement for 2012-13

	Budget requirement	Police Grant	General GLA Grant	Formula grant (RSG/NDR)	Council Tax Requirement	Band D Amount
	£m	£m	£m	£m	£m	£
Mayor's Office for Policing and Crime	2,601.2	-1,051.6	0.0	-838.2	711.4	235.90
Greater London Authority (Mayor and Assembly)	139.5	0.0	-49.8	0.0	89.7	29.66
London Fire and Emergency Planning Authority	379.8	0.0	0.0	-252.1	127.7	42.27
Transport for London	6.0	0.0	0.0	0.0	6.0	1.99
Olympic Park Legacy Company	NIL	0.0	0.0	0.0	0.0	0.0
Net Collection fund (surplus)/deficit					NIL	NIL
Total Other Services	525.3	0.0	-49.8	-252.1	223.4	73.92
Total GLA Group	3,126.5	-1,051.6	-49.8	-1,090.3	934.8	309.82

2011-12 Council Tax: £309.82

Please note that figures in the tables above may not sum exactly due to rounding.

Appendix I: Key Dates

25 January 2012

Mayor to present his draft consolidated budget to the London Assembly

9 February 2012

Mayor to present his final draft consolidated budget to the London Assembly

28 February 2012

Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2012-13 and notify the Secretary of State for Communities and Local Government.

31 March 2012

Statutory deadline for the Mayor to approve the Authorised Limit for external debt (borrowing) for the functional bodies and the GLA alongside the Prudential Indicators and Capital Financing Requirements required by statute.

Appendix J: Changes Since Consultation Budget

SUMMARY OF CHANGES COMPARED TO CONSULTATION BUDGET

Note: This list addresses material changes to the budget compared to consultation and does not include minor typographical or wording changes which do not affect the substance of the budget proposals. The references to the MPA in the consultation budget have been amended to the MOPC as the latter was created on 16 January 2012.

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

Section 1 – Introduction and Summary

1.4 Notional component budget requirements for GLA and MOPC adjusted to reflect revised transfer of community safety functions (net £0.3m increase in 2012-13, £0.4m in 2013-14 and £1m in 2014-15 for GLA with a corresponding reduction for MOPC).

1.7 Council tax requirements for GLA and MOPC adjusted to reflect revised transfer of community safety functions (net £0.3m increase in 2012-13, £0.4m in 2013-14 and £1m in 2014-15 for GLA with a corresponding reduction for MOPC).

1.9 Council tax revenue and sources of finance table updated to match revised budget proposals (as set out in Appendix H)

1.10: Non police Council tax (for City of London) increase by £0.10 to £73.92 compared to consultation budget as a result of £0.3m adjustment to precept share from MOPC to GLA

1.12 Paragraph modified as GLA grant letter for 2012-13 not received at the date the draft budget was issued.

1.17 to 1.20 Amended paragraph 1.17 and additional new paragraphs 1.18 to 1.20 to reflect the impact of the Local Government Resource Review and the proposed reforms to council tax discounts and support set out in the Local Government Finance Bill. These are addressed in more detail in section 8.

Section 2 – Greater London Authority

2.1 Updated to reflect creation of MOPC and abolition of MPA

2.6 Aggregate GLA capital expenditure paragraph modified to include references to Crossrail contributions (financed by BRS) and HCA capital programme/

2.8 Paragraph modified as GLA grant letter for 2012-13 not received at the date the draft budget was issued.

2.10 GLA specific grant figures modified to reflect transfer of £5.4m Community safety grant to MOPC in 2012-13

Appendix J: Changes Since Consultation Budget

2.11 to 2.12 Paragraphs amended to reflect revised community safety grant transfer figure from GLA to MOPC for 2012-13 to 2014-15 and transfer of community safety grant to MOPC for 2012-13.

2.15 to 2.16 GLA gross expenditure and budget requirement figure amended to reflect revised budget.

2.22 GLA budget table amended to include 2011-12 updated budget data and agreed changes to 2012-13 to 2013-14 expenditure figures including the revised budget and council tax requirement due to the different community safety transfer sum agreed.

2.23 Year on year budget and council tax requirement tables updated to reflect revised budget

2.28 Mayor's council tax requirement and budget requirement for 2012-13 to 2013-14 amended to reflect budget adjustments (offset by changes in MOPC) in table and GLA share of council tax figure amended in text.

2.39 Museum of London budget modified for 2012-13 to 2014-15 (revenue grant from GLA increased in each year partly offset by reduction in capital grant set out in section 10

2.43 Programme budgets amended from £31m to £35m

2.45 and 2.46 GLA reserves totals for 2012-13 to 2014-15 amended

Section 3 – London Assembly

No changes

Section 4 – Mayor's Office for Policing and Crime

4.6 Revised to reflect expected announcement of local government finance settlement before end of January 2012

4.11: Gross expenditure increased by around £5.1m in 2012-13 compared to draft budget reflecting net impact of community safety staff, programme and Home office specific grant transfers from GLA. Budget requirement and council tax requirement reduced by £0.3m in 2012-13, £0.4m in 2013-14 and £1m in 2014-15 to reflect revised community safety transfer figure from GLA.

4.16 Specific grants text revised relating to community safety grant transfer

4.17 Year on year budget and council tax requirement tables updated to reflect revised budget

4.18 MOPC revenue budget table amended to include agreed changes to 2012-13 to 2013-14 expenditure figures including the budget and council tax requirement.

Appendix J: Changes Since Consultation Budget

4.19 and 4.20: Text amended to reflect revised community safety transfer amounts from GLA

4.22 to 4.24 Amended paragraphs in relation to ‘delivering a balanced budget’

Section 5 – London Fire and Emergency Planning Authority

5.7 Revised to reflect expected announcement of local government finance settlement before end of January 2012

Section 6 – Transport for London

6.8: Hammersmith flyover bullet point under Surface Transport section amended to reflect updated position.

Section 7 – OPLC

No changes

Section 8 – Future Years Funding

8.4 to 8.13 Sections updated and new information added on Local Government Resource review and potential impact of business rates retention of funding for LFEPA and GLA from April 2013

8.15 Former paragraph 8.8 amended with updated specific grant data for MOPC

8.17 to 8.21 (former 8.10 to 8.14) updated to reflect impact of resource review on LFEPA

8.25 to 8.29 New section on reforms to council tax – including council tax (benefit) support from 2013-14 and impact on GLA finances.

8.32 (former 8.19). Last sentence modified to reflect issues raised elsewhere in section 8/

Section 9: Summary of Expenditure and Financing

9.1 to 9.4 Revised budget and council tax requirement information presented for the GLA and MOPC for 2012-13 to reflect revised transfer of community safety functions set out in sections 2 and 4.

9.5 Revised police council tax figure (now £235.90 rather than £236.00)

9.7 Revised non police council tax figure paid by residents of Corporation of London (now £73.92 rather than £73.82)

Section 10 – Capital Spending Plan

10.1: Updated section A for MOPC containing revised capital receipts figures brought forward.

10.7: Museum of London capital grant for 2012-13 to 2014-15 amended (reduced by £0.3m in 2012-13, £0.6m in 2013-14 and £0.9m in 2014-15 compared to consultation – these changes are offset by a net £2.4m increase in its revenue grant over the 3 years set out in section 2).

10.29 Authorised limit for MOPC amended for 2012-13

Appendix J: Changes Since Consultation Budget

Appendices

Appendix A

Table 1: Amended to reflect revised budget for GLA

Table 2: Amended to reflect revised budget for GLA

Table 3: Amended to reflect revised budget for GLA

Table 4: Amended to reflect final settlement details for GLA

Appendix B

Table 1: Amended to reflect revised budget for MOPC in relation to GLA community safety transfers.

Appendix H: Figures updated to reflect changes to consultation budget and amendments to Council Tax requirements.

Appendix I: Key dates amended as earlier dates have now passed

This page is intentionally left blank

Draft consolidated budget 2012-13: Finance and legal advice

Page

Advice provided by the Executive Director of Resources

1. Advice on Budget Process.....	125
2. Equalities Implications.....	128
3. 2011-12 financial monitoring.....	128
4. Reserves and balances.....	129
5. Advice on Council Tax referenda.....	133
6. Council Tax Freeze Grant	134
7. Advice on future plans	135
8. Limit on Assembly's power to amend Mayor's Council Tax Requirement..... for the Assembly	135
Legal Advice	138

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 statutory Chief Finance Officer, to report on the robustness of the estimates. This is covered within the information and advice provided below.

What were the arrangements for developing the budget proposals?

The budget process itself involved:

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

The Mayor issued guidance in May 2011 to the Greater London Authority and the functional bodies for preparing their budget submissions. The guidance sought to ensure that the Mayor's budget proposals were an accurate reflection of his priority aims and objectives within available resources.

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

- Review delivery of the 2011-12 budget and to judge outcomes;
- Direct the 2012-13 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor's priorities;
- Ensure that 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.

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

To explain each component budget, there is a service analysis showing the spending plans for the three -year period 2012-13 to 2014-15 for the GLA and each of its functional bodies. The analysis shows:

- 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 charges and adjustments; and
- The resultant budget and council tax requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2011-12. However, due to the devolution of functions to the GLA from 2012-13 this is not comprehensive. Explanations have been provided for the changes in terms of:

- Inflation;
- Full year cost of existing services;
- New initiatives and service improvements;
- Savings and efficiencies;
- Changes in specific government grants;
- Changes in use of reserves; and
- Any other relevant reasons.

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

What internal and external scrutiny have the budget proposals had?

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

The budget consultation paper had been widely circulated to London borough councils, London Councils, and a wide range of voluntary, business and other representative organisations. It was also placed on the Greater London Authority website, enabling members of the public to make their comments. The views expressed in the consultation have been taken into account.

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 an approval, scrutiny and challenge process as described above. They reflect 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 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. 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 2011-12 could result in a shortfall in the budget funding for 2012-13. 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 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 authorities' insurance arrangements and by the existence of appropriate reserves. Across the GLA Group the risks associated with major contracts have been recognised and programmes to manage these risks introduced.

The GLA Group takes a prudent approach to the achievability of income and recovery of debts due, making appropriate provision for bad debts, and full provision for realistic estimates of future settlements of known liabilities. The level of external borrowing by authorities is considered affordable having regard to these factors. TfL's borrowing has increased significantly in recent years due to the impact of its investment programme including Crossrail and the Tube upgrade. However, the overall levels of borrowing planned by TfL over the next few years are well within the levels found in Europe.

The GLA is borrowing specifically for its contribution to Crossrail, which is financed from the levying of a business rate supplement. The GLA will be taking responsibility for Olympic debt from the LDA but has negotiated a Settlement to secure the repayment of these debts. The GLA is not now proposing to increase its external borrowings for certain other items of capital expenditure, such as the Mayor's Regeneration Fund and the Outer London Fund. This is possible because DCLG intends to provide immediate funding support in 2011-12 to allow the GLA to restructure the £349m debt it will inherit from the LDA. This will save taxpayer's money overall and enable the GLA to reduce its debt, and manage the financial risks associated with its non-Crossrail debt more effectively.

Overall, on the basis of the information that has been provided to explain the Mayor's 2012-13 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. Advice on equalities implications, 2011-12 monitoring, reserves and balances, Council Tax referenda, Council Tax Freeze Grant, future years' plans and the Assembly's powers to amend the Budget is also provided in this document.

2. Advice on the Equalities Implications of the Budget Proposals

The relevant sections of Part II of the Budget set out a summary of each member of the GLA Group's consideration of equality issues in their budget proposals. The GLA's savings proposals are not expected to result in an adverse equalities impact. Throughout the MPA / MOPC's planning process, services have been encouraged to consider equality and diversity issues and an Equalities Impact Assessment (EIA) will be undertaken on the final Policing London Business Plan 2012-15. LFEPA has prepared an EIA to inform its budget plan. As part of the process of producing TfL's current Business Plan, an EIA was undertaken. A full EIA was undertaken as part of the development of the OPLC's Corporate Plan.

3. Advice on 2011-12 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 of the GLA group organisations. In addition, progress against budget and business plans is reported quarterly to the Assembly's Budget Monitoring Sub-Committee for each member of the GLA Group. The report details spending against profiled estimates and provide explanations of significant variances and proposals for any necessary corrective action. Progress on new initiatives, performance against key indicators and outturn estimates against approved budgets are also identified and explained. To provide a full snapshot across the Group, set out below is a summary of the latest monitoring report presented to the Budget Monitoring Sub-Committee as at quarter 2 in 2011-12.

(a) Greater London Authority: Mayor of London

At quarter 2 the revenue budget for the Mayor of London was forecast to underspend by £0.4 million compared to the revised budget - equivalent to less than 0.3 per cent of the total budget. However, as a result of reviewing borrowing decisions, a budget of £4.2 million has been set aside in 2011-12 to help offset budget pressures in the future.

(b) Greater London Authority: London Assembly

As at the end of the second quarter of 2012-13 there was a forecast underspend of over £0.2 million (2 per cent of the budget) in the London Assembly.

(c) Metropolitan Police Authority / Mayor's Office for Policing and Crime

At period 6 (September 2011) the MPA's revenue budget was forecast to underspend by £5.7m (0.2 per cent of the budget) before any account is taken of the budget resilience provision for the costs of Operations Kirkin and Withern, arising from the August disturbances.

(d) London Fire and Emergency Planning Authority

The forecast for the year was an underspend of £2.9 million (2 per cent) based on the first six-months' monitoring. This underspend has been taken into account in LFEPA's budget submission to the Mayor.

(e) Transport for London

As at the end of quarter 2, total operating income was £30m above budget and the full year forecast for fares income is £59m above budget. The full year forecast for operating expenditure is £131m lower than budget. The overall Margin is forecast to be £32m above budget. Over the Business Plan to 2014-15, TfL expects the Margin to be very close to that published in the Plan.

(f) London Development Agency

The forecast net headroom against the LDA's budget at quarter two was £12.6m. With the transfer of LDA functions to the GLA, this estimated headroom has been taken into account in the GLA's budget planning for 2012-13 and future years.

Conclusion

An assessment of the current year's financial outturn is always a crucial element in budgetary and precept deliberations for the forthcoming year. With further spending activity still to take place in respect of this financial year up to 31 March 2012 and with crucial closing of accounts 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 2012-13. 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 on these 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 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 *"does not accept that a case for introducing a statutory minimum level of reserves, even in exceptional circumstances, has been made"*, it does confirm that *"authorities, on the advice of their finance directors, 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 78, issued in November 2008. LAAP78 emphasises the importance of medium-term plans and forecasts of resources, in addition to short-term considerations, in determining the adequacy of reserves.

Section 26 of the Local Government Act 2003 gives the Secretary of State 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 Officer.

(a) Greater London Authority: Mayor of London

No changes are proposed to the GLA's policy on reserves. However, in the light of the GLA's new responsibilities from 2012-13 onwards a comprehensive assessment of its needs and risks has been made to ensure that appropriate reserves are established to ensure that the Authority's financial standing is sound and supports the achievement of longer term service objectives.

General Reserves

At 31 March 2012 the general reserve is expected to total some £40.2 million – an increase of £36.1m in 2011-12 to reflect the transfer of funding for the GLA's new responsibilities and to manage the pressures on the GLA's budget to March 2015. Over the CSR period the general reserves are planned to reduce down to a level closer to previous levels.

Earmarked Reserves

As at 31 March, 2012, the current estimate of earmarked reserves, including the elections reserve, is some £32.7 million. The most significant movement on the earmarked reserves in 2012-13 relates to the release of £10.2m for the work being undertaken during the financial year for the 2012 Mayor and Assembly elections. The elections reserve is then re-built over the CSR period with other earmarked reserves planned to stabilise at just under £20m.

Conclusion

The level of reserves is judged prudent in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review, particularly in the light of the management of the GLA's new responsibilities and the pressures on future years budgets.

(b) Greater London Authority: London Assembly

Most of the GLA's non election related reserves relate to accommodation or to general cost issues (e.g. accommodation, precept resilience, etc) and the Assembly and its staff effectively have access to these reserves on the same basis as the rest of the GLA. Additionally, within the existing earmarked reserves there is £0.7 million relating to the Assembly's development reserve.

(c) MOPC

The MOPC's budget includes general reserves of £23.5m and an emergency contingency fund of £23.1m, which equates to 1.5 per cent of net budgeted expenditure by the end of 2012-13.

The MPA holds a general reserve and an Emergency Contingency Fund for two main purposes:

- A contingency to cushion the impact of unexpected events or emergencies; and
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.

Earmarked reserves have been established by the MPA to provide resources for specific purposes. During 2012-13, £129m of existing earmarked reserves are planned to be applied leaving planned earmarked reserves of £45.2m and a Budget Pressures reserve of £8m as at end of 2012-13.

Section 4 of Part II of the Budget sets out latest details of the costs of the August disturbances and the MOPC's assumptions about how these costs will be financed. To the extent that any of the costs of the disturbances fall to the MOPC, the financial flexibility for dealing with future budget gaps will be significantly reduced and will be a material factor in the advice of the MOPC's Treasurer on future levels of balances.

MOPC Conclusion

In the opinion of the Treasurer of the MOPC the proposed approach remains prudent and the MOPC will still have adequate reserves in place with general reserves totalling £46.6m by 31 March 2013 and earmarked reserves which are currently forecast to total £53.2m by 31 March 2013. Overall, general and earmarked reserves at the end of 2012-13 are forecast to be just under £100 million. However, the position will be kept under close review.

(d) London Fire and Emergency Planning Authority

In order to support the delivery of the Mayor's wider priorities and to align LFEPA's reserves position closer to its target level, £30 million of the Authority's general reserves are to be drawn down in 2012-13 to support its budget. Therefore, LFEPA's general and earmarked reserves are projected to be £24.3 million at March 2013. This leaves general reserves slightly above the target of 2.5 per cent of net revenue expenditure, earmarked reserves being held of £12.4m and LFEPA's budget allows a significant invest to save scheme to proceed.

LFEPA 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.

(e) Transport for London

TfL seeks to maintain a General Fund balance of at least £150m (and a minimum cash balance of £250m), 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. Total reserves (excluding Crossrail) are forecast to increase from £694m at 31 March 2012 to £883m at the end of 2012-13. They are then projected then to fall to £212m by the end of the CSR period, reflecting the drawing down of earmarked reserves. General reserves are planned to be held at a constant level of £154m over the CSR period.

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.

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 2013 is summarised in the table below.

	GLA £m	MOPC £m	LFEPA £m	TfL £m	Total £m
Opening balances 1.4.11	52.8	269.6	66.7	673.0	1,062.1
Earmarked/capital reserves	-16.0	-128.9	-1.5	21.0	-125.4
General reserves	36.1	-13.0	-3.3	-	19.8
Balances 31.3.12	72.9	127.7	61.9	694.0	956.5
Earmarked/capital reserves	-7.9	-16.9	-7.6	189.0	156.6
General reserves	0.1	-11.0	-30.0	-	-40.9
Balances 31.3.13	65.1	99.8	24.3	883.0	1,072.2

Although there is a reduction in LFEPA and MOPC's reserves over the period, TfL's reserves increase which leads to the Group's reserves overall remaining largely unchanged between April 2011 and March 2013.

In conclusion, the Mayor's budget proposals are consistent with the advice provided on reserves and balances. LFEPA's and MOPC's reserves have been applied to assist the delivery of the 2012-13 budget and the use of reserves and balances will be kept under close review during 2012-13 and onwards.

5. Advice on Council Tax referenda

What are the rules on Council Tax referenda?

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act"), as amended, in particular by the Localism Act 2011. Amendments made by section 72, and Schedules 5 and 6 of the Localism Act set out a new requirement for a Council Tax referendum where the proposed increase in the GLA precept exceeds a threshold proposed by the Secretary of State and approved by Parliament. The new duty to hold a Council Tax referendum in those circumstances replaces the system of Council Tax capping which is abolished.

Advice

The new duty described above would require the Mayor to hold a referendum to approve a proposed Council Tax increase where this exceeded a threshold proposed by the Secretary of State and approved by Parliament. The Council Tax increase above which the Mayor would be required to hold a referendum in 2012-13 on the basis of the Government's provisional principles is 4 per cent. In the event that the draft budget did not comply with these 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, would become the default budget if the referendum seeking approval for an increase above the threshold was lost.

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. 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 to freeze his share of the precept in 2012-13.

On the basis of the Mayor's draft budget there will be no requirement to hold a referendum. If the Assembly were to agree an amendment to the Mayor's budget by the required majority which resulted in the Band D Council Tax being increased by more than 4 per cent (i.e. a band D Council Tax exceeding £322.22), then it would also be required to agree a substitute budget which resulted in a Council Tax of £322.21 (or lower).

6. Advice on Council Tax Freeze Grant

The Secretary of State has confirmed the Government's intention to work with local authorities in England to meet its commitment to deliver a council tax freeze in 2012-13 and has written to the GLA with details of the terms under which the scheme will operate.

The scheme will be voluntary and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities). Decisions by individual billing or precepting authorities to raise their council taxes will not impact therefore on the eligibility of other precepting or billing authorities in that area to qualify for the Freeze Grant.

If the amount calculated by the GLA under s. 89(3) of the GLA Act for 2012-13 is no more than the same amount calculated by the GLA for 2011-12 (i.e. the band D council tax for the London boroughs), the GLA will be eligible to receive a grant of some £27.7m on a one-off basis once the Mayor freezes or reduces his precept for 2012-13. The exact amount of the grant cannot be determined until final Council Tax base figures from the Boroughs are received. The GLA is required to confirm to the Secretary of State that it meets the terms of the scheme by 8 March.

It is important to note that the terms of 2012-13 freeze grant are different from the scheme for 2011-12. Under the latter scheme the GLA will receive an estimated £23.4 million (adjusted annually for the buoyancy in the council tax base) in each of the next three financial years to 2014-15 (ie four amounts of £23.4 million, totaling £93.6 million subject to any change in the council tax base). In contrast, the scheme for 2012-13 results in a one-off payment for that year only. It is important to note that this means that there will be a loss of ongoing council tax revenues equal to £27.7m in each subsequent year.

There would be a net financial loss to the Authority if there were an increase in the level of band D council tax for 2012-13 and it were less than 3 per cent (i.e. the additional amount raised in council tax would be less than the grant payable for no increase). Conversely, if the Council Tax precept were reduced, the GLA would still be in receipt of the full Council Tax freeze grant.

In the light of the earlier advice on Council Tax referenda and this advice on freeze grants, effectively the Government is prescribing that any increase in Council Tax for the GLA would need to be above 3 per cent – if the increase is to raise more revenue than would be received by way of freeze grant – but below 4 per cent – unless the GLA wishes to hold a referendum on the Council Tax precept.

7. Advice on future plans

What are the medium-term planning arrangements?

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

Section 8 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, particularly as a result of the Government's Resources Review. However, the Budget also sets out the degree of increased discretion the GLA has, particularly arising from the Settlement recently reached with Government.

8. Advice on the limit on Assembly's power to amend 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 each of the Mayor and the Assembly. In order to derive these two separate requirements it is necessary to apportion the GLA's general grant between the Mayor and the Assembly. Subject to confirmation of the GLA Settlement, Section 2 of Part II of the Budget sets out an apportionment.

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 2012-13 for the Mayor is **greater than** the Council Tax Requirement for 2011-12 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 2012-13 for the Mayor is **less than** the Council Tax Requirement for 2011-12 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 2011-12;
- 'New' Mayor will be the Mayor's proposed Council Tax Requirement for the Mayor for 2012-13 before any amendments; and
- The percentage change in the Mayor's Council Tax Requirement from 2011-12 is calculated using these amounts.

The Assembly's Council Tax Requirement for 2011-12 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 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 not directed that there should be any adjustments to facilitate a like for like comparison pending the receipt of the final GLA Settlement.

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

Using the Act's methodology and applying it to the draft Council Tax requirement figures, **the Assembly could increase its own component council tax requirement to a figure more than the Mayor's proposal.** This is because the Mayor is proposing a Council Tax requirement of £2.6 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 £3.250 million.** This is explained in the table below but it is important to note that this is a provisional determination and until confirmed the general grant could vary and the actual council tax requirement for the Mayor and the Assembly may be different.

Mayor's Budget: Calculation of NM	£m
Proposed council tax requirement for the Mayor for 2012-13	87.100
Deduct: Nil	-
Add: Nil	-
NM	87.100
Deduct: OM (notional Mayor's council tax requirement for 2011-12)	-88.300
Amount NM is less than OM Council Tax requirement	-1.200
Percentage Decrease	-1.4%

Assembly Budget: adjusted previous component Council Tax Requirement	£m
Notional component Council Tax requirement for the Assembly for 2011-12	3.300
Deduct: Percentage change in NM compared with OM	-0.050
Adjusted previous component Council Tax requirement	3.250

The figure of £3.250 million is the 'adjusted previous component council tax' requirement for the Assembly. As the Mayor is proposing a council tax requirement of £2.6 million the Assembly could therefore propose to amend its own component Council Tax requirement up to this level. In considering any amendment full regard will need to be had to the advice provided on the Council Tax Freeze Grant.

Legal Advice

1. Overview

The Mayor is responsible for the preparation of the budget for both parts of the GLA, that is, the Mayor and the London Assembly, and for the functional bodies, the budgets for all of which together constitute the consolidated budget for the GLA. The Assembly's role is to scrutinise the budgeting decisions of the Mayor, to approve the Mayor's Budget (with or without amendments), and to set a budget in the event that the Mayor does not do so in the required time. The Assembly also has the power to amend its own budget to the extent that any increase proposed for the Assembly is proportionately less than that proposed for the rest of the GLA.

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.

The GLA's major sources of revenue are council tax, grants paid by the Secretary of State, redistributed non-domestic rates, fares, a business rate supplement levy, and other sources such as advertising and road user charging.

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"). There are significant amendments this year as a result of provisions in the Localism Act 2011.

2. Overview of steps in budget process

1. The Mayor consults the Assembly and then prepares draft component budgets for Mayor and Assembly.
2. The Mayor consults each functional body and then prepares the draft component budget for each functional body.
3. The Mayor prepares the draft consolidated budget covering both parts of the GLA and all of the functional bodies
4. The Mayor consults the Assembly and other appropriate bodies on the draft consolidated budget.
5. Before 1 February, or such other date as is fixed by regulations (for 2012-13, 11 February¹), the Mayor determines the final contents of the draft consolidated budget and presents it to the Assembly at a public meeting.
6. The Assembly approves the draft consolidated budget, with or without amendment, by simple majority (subject to limitations in relation to its own budget).

¹ Greater London Authority (Consolidated Council Tax Requirement Procedure) Regulations 2012

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

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

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 functional bodies (Transport for London, the Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority; it is expected that the London Development Agency will cease to be on 31 March 2012 and that a Mayoral Development Corporation, another functional body, will come into being on or about 1 April 2012). These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA'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 is expected to take place between December, following the publication of the government's provisional financial settlement, and the end of February, when the budget is required to be finalised (Schedule 6, paragraph 8).

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

3.3 Approval of the budget

The draft consolidated budget for 2012-13 must be presented to the Assembly at a public meeting on or before 11 February 2012. The GLA Act specifies that the draft consolidated budget must be presented to the Assembly on or before 1 February (Schedule 6, paragraph 3(4), subject to paragraph 10). However the Greater London Authority (Consolidated Budget Requirement Procedure) Regulations 2012 specify that, in relation to the 2012-13 financial year only, this date will be 11 February 2012.

If the Mayor fails to comply with these requirements, the Assembly must prepare draft component and consolidated budgets (Schedule 6, paragraph 4). If the draft consolidated budget is approved at a public meeting of the Assembly, that approved draft becomes the GLA's consolidated budget (Schedule 6, paragraph 4).

If approved without amendment, the draft consolidated budget is deemed to be the GLA's consolidated budget for the year in question (Schedule 6, paragraph 4). After the Mayor presents the draft consolidated budget to the Assembly, the Assembly must approve it, with or without amendment, by a simple majority of the members voting.

The Assembly's right of amendment in respect of its own budget is limited insofar as it cannot vote an increase in its own council tax requirement which is proportionately more than that proposed in respect of the Mayor (Schedule 6, paragraph 5A).

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

The Mayor must present the final draft budget to the Assembly and publish it before the last day of February. If the Assembly approved the draft consolidated budget with amendments, but the Mayor has not accepted these amendments, the Mayor must lay before the Assembly a written statement of his reasons for not accepting the amendments (Schedule 6, paragraph 6(5)). The Assembly must approve the final draft budget with or without amendment by the end of February (Schedule 6, paragraph 8). Any amendments by the Assembly at this stage require a two-thirds majority of the members voting (Schedule 6, paragraph 8 (4)). The Assembly's right of amendment in respect of its own budget is again limited in that any increase in the council tax requirement for itself cannot be more in percentage terms than any increase for the Mayor (Schedule 6, paragraph 8A).

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).

If the Mayor, having presented a draft consolidated budget, fails to present a final draft budget, the Assembly must meet and agree by 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).

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).

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

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 LGFA).

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

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

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 London boroughs and the City of London (separately "a London billing authority") in respect of the amount the GLA sets as its council tax. The method of calculating the GLA's council tax is broadly similar to that of other precepting authorities, although for the GLA the council tax requirement in respect of the MOPC is treated separately. This is necessary because the MOPC is responsible for the police service in the inner and outer London boroughs, but not in the City of London. Council tax payers in the City of London pay directly for their own policing.

Each London billing authority must include the precept when it calculates its own council tax bill (s.30 LGFA). 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 LGFA).

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 LGFA).

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 LGFA if the Secretary of State considered that the budget requirement calculation was excessive by comparison with a previous year’s calculation. Under the Localism Act (section 72 and Schedule 5), there is instead a duty to hold a referendum if a proposed council tax increase exceeds a figure set by the Secretary of State and approved by Parliament.

Should the possibility arise of this duty being relevant to the proposed GLA budget for 2012-13, further advice would be provided.

4.3 Grants paid by the Secretary of State

Grants from the Secretary of State include a general GLA grant, a GLA transport grant paid for the purposes of Transport for London, a police grant, a grant for LFEPA, and other specific grants (see for example s100 and s101 GLA Act).

4.4 Non-domestic rates

Non-domestic rates are distributed to local authorities in proportion to their relative needs and resources as assessed by Government and are shared between authorities according to the services they provide. The GLA receives non-domestic rates as part of this distribution.

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 direction under s.155 of the GLA Act issued to TfL.

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

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).