LONDONASSEMBLY

Pre-Budget Report 2017

Budget and Performance Committee

December 2017

Holding the Mayor to account and investigating issues that matter to Londoners

LONDONASSEMBLY

Budget and Performance Committee Members

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The Budget and Performance Committee holds the Mayor to account for his financial decisions and performance across the Greater London Authority. It is responsible for scrutinising the Mayor's budget proposals for the next year, and carrying out investigations across the Mayor's various policy areas, such as transport, police, fire, housing, and regeneration.

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Contents

Gareth Bacon AM

Chairman of the Budget and Performance Committee

The report presents the conclusions and recommendations from our budget scrutiny so far, ahead of the publication of the Mayor's draft consultation budget for 2018-19. I am dismayed at the findings of the Mayor's investigation into the London Stadium, which show a cavernous black hole in the London Legacy Development Corporation's (LLDC) finances. For years, this committee has been raising concerns about the financial sustainability of the LLDC, and only now – 18 months after the Mayor took office and a full year after he announced the investigation into the Stadium – has the true state of the Stadium's huge losses been made public.

"I am dismayed at the findings of the Mayor's investigation into the London Stadium, which show a cavernous black hole in the London Legacy Development Corporation's (LLDC) finances."

This year, the day-to-day operation of the Stadium will make a £20 million loss, and about £15 million a year in future years. Clearly, this is completely unsustainable. Even worse, it looks increasingly unlikely that the LLDC will ever be able to repay its debts to the GLA – which are currently around £350 million and due to double over the next four years. While this is happening, the Mayor's plans for delivering affordable housing and regeneration in Stratford are suffering. He must put in place a plan to address this situation as a matter of priority.

Transport for London (TfL) continues to face a financial challenge, particularly around falling fares income and the impact that it will have on TfL's ability to invest and improve London's transport network. Its new business plan shows a decline in capital investment over the next four years. And no progress has been made in establishing how the Mayor intends to fund Crossrail 2.

Changes to front-line policing and fire services may be ahead. Without additional funding, the Met may see the number of police officers drop substantially. And the Mayor may need to make changes to the operations of the London Fire Brigade, which is forecasting a budget gap of nearly £20 million by 2021-22. We will know more about their funding positions once the Government confirms the police and fire settlements, but both organisations may need to refine their plans for achieving savings and efficiencies over the next few years.

We continue to scrutinise the Mayor's plans for tackling London's housing crisis. London's new housing supply is falling well short of the 50,000 to

66,000 new homes that Mayor believes London needs each year. The Mayor has allocated most of his affordable homes settlement, but it is too soon to see results. Our report raises questions about the performance of several of his housing initiatives, including the Housing Zones, the London Housing Bank, and his new Land Fund. We will continue to keep an eye on all of these projects next year.

"We question what consideration the Mayor gave to distributing an additional £75 million of business rates across the GLA Group."

Our report raises questions about funding for environmental and regeneration priorities. Funding for home retrofitting and carbon reduction is being cut next year. And there is a question mark over what funding the Old Oak and Park Royal Development Corporation (OPDC) requires to deliver new homes and jobs in West London, as the Masterplan for OPDC's huge regeneration project is not expected until next year.

Further devolution, the implications of Brexit, and the GLA's participation in London's 100 per cent business retention pilot all create uncertainty for the core GLA budget. We question what consideration the Mayor gave to distributing an additional £75 million of business rates across the GLA Group – before he made the decision to give it all to TfL – and whether he will consider raising council tax to generate additional funding for the Group.

Finally, we conclude with some recommendations around transparency. The GLA's budget submission was missing considerable detail around savings, efficiencies, and key performance indicators (KPIs). This is the second consecutive year that we have not been able to scrutinise the proposed outcomes of the Mayor's budget due to a lack of KPIs on which to measure it. We are disappointed that despite the Mayor's repeated assurances that the GLA would address this issue, it has made little progress over the year. We expect the Mayor to ensure that this information is included in further iterations of the 2018-19 budget.

Summary

"The Mayor's review into the Stadium shows that the London Stadium will lose £20 million this year, and about £15 million a year thereafter."

This report sets out the key financial challenges and risks facing the Mayor as he prepares his budget for 2018-19. The future of the London Stadium is a huge concern, with the recent collapse of E20 Stadium LLP – the joint venture between the London Legacy Development Corporation (LLDC) and Newham Council. We have been worried about the finances of E20 and the LLDC for some time –indeed, we summonsed E20's accounts on 22 November because we were so worried about its financial situation. The Mayor's review into the Stadium shows that the London Stadium will lose £20 million this year, and about £15 million a year thereafter.

The escalating issues with the London Stadium have put further pressure on the LLDC's finances, which continue to deteriorate. They now present a threat to the entire GLA Group budget. The LLDC is expected to owe the GLA almost £0.5 billion by 2020; we are deeply concerned that the GLA will not be able to recover this loan as planned. The LLDC's 2018-19 budget submission now clearly states that its future borrowing levels are "not considered to be prudential." And the LLDC's financial struggles mean that it may not be able to deliver the affordable housing previously envisaged without further public subsidy.

"A decline in fares revenue puts pressure on TfL's capital programme. According to its new Business Plan, TfL's total capital spend (excluding Crossrail) will be lower in each of the next four years than in 2017-18."

The finances of Transport for London (TfL) also continue to concern us. Its financial position is worse than expected because its fares income is falling, and our scrutiny has highlighted TfL's inability to produce robust and realistic forecasts for yet another year. A decline in fares revenue puts pressure on TfL's capital programme. According to its new Business Plan, TfL's total capital spend (excluding Crossrail) will be lower in each of the next four years than in 2017-18. And, looking ahead, it is not yet clear how TfL and the Mayor will be able to fund their share of Crossrail 2. It was disappointing that funding for Crossrail 2 was not mentioned in the Autumn Budget.

The finances of the Metropolitan Police Service (the Met) are also under huge pressure. Without further funding, the number of police officers may fall significantly. If the Government's 2018-19 Police Grant Report does not provide additional funding for the Met, it will need to develop – and deliver – plans to realise significant savings and efficiencies. To date, we have been doubtful about the Met's ability to secure savings, particularly through its Digital Policing Strategy.

In spring 2018, we should see the long-awaited reform of London's fire service, with the abolition of the London Fire and Emergency Planning Authority (LFEPA) and the creation of a statutory Fire Commissioner and a

new Deputy Mayor for Fire. We encourage the Mayor to ensure transparency is maintained once responsibility for the LFB comes into City Hall.

LFEPA has presented a balanced budget proposal for 2018-19, but a budget gap emerges in 2019-20 and it stretches to almost £20 million by 2021-22. The Mayor must set out how he intends to address this, and be open and transparent about what changes may be ahead for LFB's frontline. Following the fire at Grenfell Tower in June, the Mayor has unsuccessfully lobbied the Government to fund the purchase of additional specialist equipment and resources. This position puts further strain on the LFEPA budget.

One of London's greatest challenges is housing. London's housing supply is falling well short of what is needed to meet demand (which the Mayor puts at between 50,000 and 66,000 new homes a year). Last year, the Mayor received £3.15 billion from the Government to start construction of 90,000 affordable homes by 2021. He has now allocated most of this funding, although it is too early to see results. We note that some of the Housing Zones may be at risk of losing their funding, and for yet another year, the GLA is struggling to spend the funding it has been allocated through the London Housing Bank. This is not the first time we have noted it is becoming a wasted resource. Next year, the Mayor intends to implement a new Land Fund to deliver more affordable housing. We await more details about how it will work in practice.

"Funding for some of London's environmental priorities is set to fall next year. For example, funding for home retrofitting appears to be ending this year, and funding for carbon reduction projects is to be cut in 2018-19."

Funding for some of London's environmental priorities is set to fall next year. For example, funding for home retrofitting appears to be ending this year, and funding for carbon reduction projects is to be cut in 2018-19. The Mayor is, however, introducing new funding for some other environmental programmes, such as air quality, bottled water and planning. The GLA's Environment Team is under extra pressure to secure funding from external private sector resources to help deliver the Mayor's environmental priorities.

Turning to regeneration, the publication of the Masterplan for the huge regeneration project at Old Oak is expected in spring 2018. This will provide some indication of how much funding the Old Oak and Park Royal Development Corporation (OPDC) will require in the years to come. The transfer of government land to the OPDC should be agreed in the new year, and the terms of this deal will have a significant impact on how the project can proceed.

Finally, our report draws together our conclusions on the core GLA budget. Several factors continue to create uncertainty for the GLA's finances, such as potential further devolution of budgets to London, the complexities of Brexit, and the start of 100 per cent local retention of business rates. We question what consideration the Mayor has given to allocating TfL an additional £75 million of business rates, and whether this funding could be better used to fund other areas of the GLA Group, particularly MOPAC or LFEPA, who are both facing funding pressures of their own. And we ask whether the Mayor has considered raising council tax to generate additional funding for the Group. We note that that GLA needs to publish better information on planned

savings and efficiencies, and on key performance indicators. Without these, it is more difficult for this committee, and Londoners, to hold the Mayor to account on delivery against his 2018-19 budget and the performance of his key policies.

Recommendations

Recommendation 1

As a matter of urgency, the Mayor needs an action plan to address the Stadium's financial pressures on the LLDC, with clearly defined targets as to when we can expect improvements.

Recommendation 2

In his response to this report, the Mayor should set out exactly what affordable housing the LLDC will deliver, and - following the LLDC's decision to remove all affordable housing at Stratford Waterfront – set out whether he can subsidise the development of any affordable housing at the Stratford Waterfront site using his affordable housing settlement.

Recommendation 3

The Mayor should publish the detail of his proposals to fund half of Crossrail 2 during construction.

Recommendation 4

The Met needs an action plan to get digital savings back on track and the Mayor should consider using his Chief Digital Officer to oversee and provide challenge to the action plan.

Recommendation 5

The Mayor should clarify how far his funding programmes will go towards meeting London's housing need of 66,000 new homes a year, 65 per cent of which are affordable.

Recommendation 6

The Mayor should review how successful the "fast-track" route around viability assessments has been at incentivising developers to build more affordable housing, and report back to the committee in September 2018, after the scheme has been running for 12 months.

Recommendation 7

The Mayor should clarify how he is focusing his spending on Housing Zones, and what will happen to the Housing Zones he has not chosen to prioritise.

Recommendation 8

In his consultation budget, the Mayor should explain why capital funding has been cut for domestic retrofitting and energy projects, and what funding he has allocated for delivering his recycling priorities.

Recommendation 9

The Mayor's consultation budget should clearly set out how the Business Rates reserve is calculated to address new risks, including the GLA's participation in the London business rates pilot, changes to the appeals process, and the upcoming Fair Funding Review.

Recommendation 10

The Mayor should explain why he has given TfL an additional £75 million of business rates, and what consideration he has given to distributing it to other areas of the GLA Group which may also require additional funding. He should also bring forward proposals for how future allocations of business rates will be distributed across the Group.

Recommendation 11

The Mayor should consider whether to raise overall council tax by the maximum he can without a referendum (1.99 per cent) to provide additional funding for the GLA Group.

Recommendation 12

The Mayor should set out the savings and efficiencies for both the GLA and its functional bodies on a cumulative and incremental basis in the draft consultation budget.

Recommendation 13

The Mayor should conduct an urgent review of the performance of the GLA's existing programmes to assess whether they are delivering the desired outcomes, and publish KPIs for 2018-19 alongside his final budget.

Recommendation 14

The Mayor should publish key performance indicators for London and Partners and a plan for measuring its success. In addition, the Mayor should review the timings of the annual production of London and Partners' business plan so that in future years we can review it alongside our scrutiny of the GLA's budget proposals.

1. The London Legacy Development Corporation

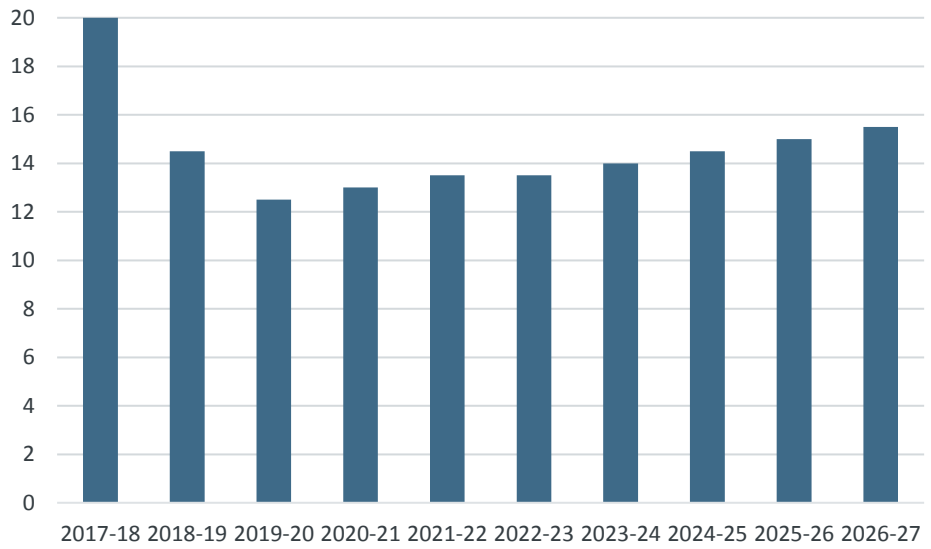
- The ownership of the London Stadium has collapsed, leaving a huge question mark over the future of the LLDC. We were correct to summons E20's accounts and push the Mayor to publish the Moore Stephens review. They show that the Stadium will lose £20 million this year, and about £15 million a year thereafter.
- The finances of the LLDC continue to deteriorate, and present a potential threat to the budget of the GLA, the level of which is presently unknown. The LLDC is expected to owe the GLA almost £480 million by 2020 and over £767 million by 2022: we are deeply concerned that the GLA will not be able to recover its loan as planned. The LLDC itself believes its future borrowing levels are "not considered to be prudential."
- The LLDC's financial struggles are affecting its ability to support the development of affordable housing in Stratford; there is a risk that the LLDC will not be able to deliver the affordable housing previously envisaged without further public subsidy.

Future of the LLDC and London Stadium

1.1 The financial difficulties around the London Stadium have come to a head, resulting in the collapse of the E20 Stadium LLP (E20) joint venture between the LLDC and Newham Council. On 1 December 2017, the Mayor announced that Newham Council had withdrawn from the E20 partnership, and that the LLDC would take full control over the Stadium. This followed an extraordinary meeting of the LLDC Board on 21 November to discuss the future ownership of E20. We were disappointed that LLDC did not publish the papers and the meeting was held in private for an issue which is clearly in the public interest to understand. Because of our concerns over the Stadium finances, and the lack of transparency to this point, we issued a summons for E20's most recent accounts on 22 November. The LLDC published E20's accounts from 2012-13 to 2016-17 on 1 December.

1.2 On the same day, the Mayor finally published a report on the Stadium by Moore Stephens – one year after he announced the investigation, and after repeated questions from the London Assembly about its progress.[1] The report for the first time reveals the real extent of the Stadium's financial difficulties. E20 stood to lose £20 million on the Stadium in 2017-18 and approximately £15 million each year thereafter. Unsurprisingly, the report concludes that the contract leasing the Stadium to West Ham does not represent value for money for the taxpayer.

Figure 1: E20 is forecast to lose at least £12 million each year



Source: Moore Stephens, Olympic Stadium Review

Next steps for the Mayor

1.3 The LLDC, and by extension the Mayor, now has sole control of the Stadium. The press release accompanying the Moore Stephens report states that the Mayor can now put the Stadium "on a more secure financial footing". But the London Stadium may now be an even greater financial drain on the LLDC, with knock-on effects for the rest of the GLA Group.

1.4 The Mayor's press release claims that he is "putting together a plan to ensure its long-term future".[2] However, it will not be easy to deliver on some of the actions we expect this plan to include:

- Reducing the costs of day-to-day management of the Stadium through contract management. However, the two main contracts (with West Ham and UK Athletics) are long-term deals and will be difficult to renegotiate. The West Ham contract, for example, does not have a break clause and only allows termination if West Ham default on payments.[3]
- Reducing the costs of the seating arrangements, in particular converting fewer stands from football mode to athletics mode. The Chief Executive estimated this could save up to £4 million per year.[4]
- Increasing income, by securing a naming rights deal. Naming rights has proven a difficult issue for the LLDC. On 5 January 2017, the LLDC Chief Executive said: "I am very confident that we will [secure naming rights] and I do not think there is a fundamental problem".[5] Four months later, in May 2017, Vodafone dropped out of a naming rights deal allegedly worth £3.3 million a year.[6] In October 2017, the then-Chief Executive of the LLDC told us that he remained "very confident and positive that with the right partner at the right time those benefits will still be secured".[7] He admitted, however, that the LLDC is currently not actively marketing the rights because of the issues around the future structure, ownership, and operating model.[8]

Recommendation 1

As a matter of urgency, the Mayor needs an action plan to address the Stadium's financial pressures on the LLDC, with clearly defined targets as to when we can expect improvements.

Financial sustainability of the London Legacy Development Corporation

1.5 The Stadium is not the only reason we continue to have concerns about the LLDC's financial sustainability and the implications for the GLA's finances. In October of this year, the GLA's Executive Director of Resources named the

LLDC the "highest [risk] in finances".[9] This risk has been flagged repeatedly over the years by this committee. In 2014, our Pre-Budget Report stated:

> "We are increasingly concerned about the finances of the LLDC and the risk this presents to the GLA. In particular, three issues present a significant risk to the LLDC: the Olympic Stadium, the Olympicopolis development [now called the Cultural and Education District], and visitor numbers to the Olympic Park. And, because of the nature of the GLA's relationship with the LLDC, these risks are ultimately borne by the GLA."[10]

1.6 Our 2015 Pre-Budget Report found:

> "There are other worrying signs regarding the LLDC's performance, particularly around the rising costs of the Olympic Stadium [and] the Arcelormittal Orbit…
>
> Any plans to get [LLDC] to pay for itself, or to get the original London Development Agency investment back, now seem unlikely…We echo the auditor's recommendation that the GLA 'needs to continue to keep a close eye on as a financial guarantor to LLDC's financial and operating performance.'"[11]

1.7 And last year's Pre-Budget Report concluded:

> "The finances of the LLDC are not improving. It continues to make operating losses and to rely on the GLA for funding. The cost of the London Stadium has increased by another £51 million this year; this is money that could have been spent building affordable housing on the site… [The LLDC] has admitted that 'cost reduction and commercial income opportunities… are unlikely to eliminate the deficit and additional funding will be sought from the GLA'".[12]

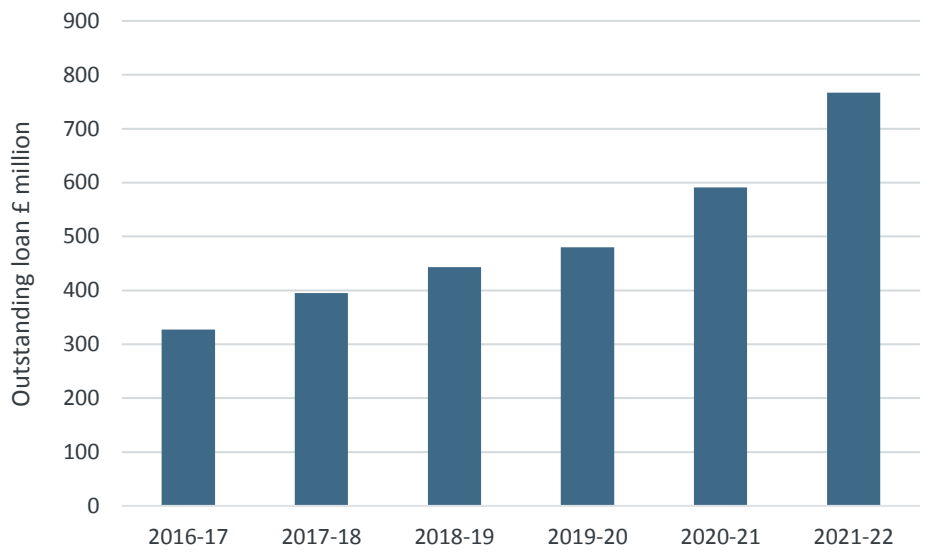
1.8 There are two elements to the LLDC's financial difficulties: its inability to pay back the loan it gets from the GLA and ongoing revenue losses. The LLDC insist that both issues will be rectified in the long term.

The LLDC's loan

1.9 To date, we have raised concerns that the LLDC will not be able to repay its huge debt to the GLA – expected to total some £395.2 million by 31 March 2018. The LLDC has invested a significant amount in building works around the Queen Elizabeth Olympic Park using money loaned to it from the GLA. The LLDC intends to pay back the principal amount and the interest in the long term through future capital receipts. To date, it is yet to pay back any of the loan to the GLA as previously intended. In both 2016-17 and 2017-18, the LLDC failed to repay the expected £84.6 million to the GLA: in 2016-17 the LLDC promised it would pay back £84.6 million of the loan the next year.[13] This did not happen. In 2017-18, the LLDC repeated this same promise, saying it would pay back £84.6 million in 2018-19. Again, this did not happen.

1.10 The situation is so severe that, instead of repaying the loan, the LLDC expects to borrow yet more from the GLA. The draft core GLA budget for 2018-19 allocates a further £44.1 million of funding to the LLDC. [14] This amount is driven by a number of factors, such as slower capital receipts than expected as well as the continued costs of the Stadium and Cultural and Education District (CED). As the chart below shows, the total loan is expected to grow each year, reaching £766.7 million by 31 March 2022.

Figure 2: LLDC borrowing will almost double in the next four years



Source: LLDC Annual Accounts 2016-17

1.11 The LLDC's 2018-19 budget submission now clearly states that its future borrowing levels are "not considered to be prudential."[15] This is the first time we have seen the LLDC state it may not be able to pay back the loans it expects to receive from the GLA through 2021-22. This is worrying. The LLDC's budget submission notes that:

> "Although the forecast borrowing requirements in this budget submission are within approved limits, the late years, in particular in 2021-22, forecast borrowing requirements are not considered to be prudential and discussions are ongoing with the GLA to identify alternative sources of direct funding."[16]

1.12 GLA officers have told us that they have not yet agreed if this capital funding will be provided as a loan (to be repaid) or a grant (which will not). If it becomes clear that the LLDC will not be able to fully repay the loan, the GLA will have to impair the loan and incur the loss, drawing resources away from other areas of the GLA group. However, the LLDC's budget submission states that:

> "The Mayor proposes that capital support to LLDC should be provided as loan funding to bridge the funding gap between the cost of the

infrastructure required to enable the development of the Queen Elizabeth Olympic Park (including the CED and Stadium costs) and the future receipts from land sales, contributions from a variety of sources to fund the CED (including contributions from partners and philanthropic funding), which will enable the LLDC to repay its borrowings."[17]

1.13 We are concerned that, by the LLDC's own admission, further loans to the LLDC may not be repaid. The LLDC is not expected to become self-financing any time soon.

Revenue

1.14 On the revenue side, the LLDC's main ongoing income stream will come from the Fixed Estate Charge, payable by businesses and homeowners in the Olympic Park. As the five new neighbourhoods take shape, there will be more and more occupiers and the Fixed Estate Charge will grow. Park operations (principally Fixed Estate Charge) brought in income of £3.9 million in 2017-18 and is forecast to grow to £5.3 million in 2021-22.[18]

1.15 The LLDC's income will reduce through 2020-21, further complicating its financial position. This reduction is due to a planned decrease in income from events, planning application income and the Fixed Estate Charge from the Chobham Manor, East Wick, Sweetwater and Cultural and Education District developments.[19] The LLDC's budget submission notes that "delays in development are a significant risk to the Fixed Estate Charge revenue projects."[20] Delays in developments result in delays in residents moving into the Park, with a consequential knock-on to payment of the Fixed Estate Charge. The LLDC must be better at forecasting when developments will be completed, in order to more accurately plan for receipt of its revenue income.

1.16 The LLDC also receives income from other, much smaller sources. In 2017-18, the LLDC budgeted for £1.1 million in planning income from developers and £0.4 million from other revenue sources, such as renting out some buildings to the private sector.[21] The venues in the Olympic Park are forecast to operate at an overall net loss of £0.3 million in 2017-18. The CopperBox Arena, Aquatics Centre and the Timber Lodge Café make deficits, and the ArcelorMittal Orbit, Podium, 3 Mills Studio and other off-park properties turn a profit. [22]

The Cultural and Education District

1.17 The loan to the LLDC is increasing in part because the cost of building the Cultural and Education District is also rising. The LLDC originally planned for philanthropic donations to help build parts of the district, such as the V&A Museum. The LLDC has told the committee that this philanthropic element did not happen while the structure and the Masterplan were being rescoped.[23] The V&A Museum will now be paid for through a rental stream over 30 years

and the LLDC will have to guarantee the construction costs. The LLDC has told us that it recognises the difficulties it faces in securing philanthropic contributions and that the Foundation for Future London is regrouping with partners to develop plans for a fundraising ambition.[24] Its budget submission suggests that an assumption for philanthropic income has been built into its budget proposal, as well as a risk that this income may not be raised.[25] It remains to be seen if the LLDC will be successful in raising philanthropic funding.

Affordable housing

1.18 The LLDC's financial problems are affecting its ability to deliver new affordable housing in the Olympic Park without further subsidy. The increased cost of the Cultural and Education District to the LLDC has led it to remove all affordable housing from one of its developments, Stratford Waterfront.[26] The LLDC is planning to make up for this with increased levels of affordable housing at two later developments.

Figure 3: LLDC development sites

1.19 But increasing the number of affordable homes elsewhere will only go so far in mitigating the Stratford Waterfront decision. The LLDC has now said that 35 per cent of housing in the Olympic Park will be affordable, below the current Mayor's target of 65 per cent affordable.[27] We urge the Mayor to explain how he is going to accelerate and maximise affordable housing at a flagship London housing development which he directly controls.

1.20 Any change in the level of affordable housing would have an impact on the LLDC's ability to generate income through the Fixed Estate Charge. Affordable homes pay a lower charge, so if the Mayor did ask the LLDC to increase its share significantly above 35 per cent, this would reduce the LLDC's main ongoing income stream. The LLDC's budget submission makes it clear that its income forecasts are still based on a 35 per cent affordable housing mix. The LLDC must factor the Mayor's housing priorities into its forecasts for future

income from the Fixed Estate Charge in order to properly plan its revenue income.

Recommendation 2

In his response to this report, the Mayor should set out exactly what affordable housing the LLDC will deliver, and - following the LLDC's decision to remove all affordable housing at Stratford Waterfront – set out whether he can subsidise the development of any affordable housing at the Stratford Waterfront site using his affordable housing settlement.

2. Transport

- TfL continues to face a significant financial challenge. Its financial position is worse than expected because its fares income is falling, and for yet another year, we lack confidence in TfL's ability to provide robust and realistic forecasts.
- A financial squeeze puts its capital programme at risk. According to its new Business Plan, TfL's total capital spend (excluding Crossrail) will be lower in each of the next four years than in 2017-18.
- Progress on Crossrail 2 remains disappointingly slow. It is not yet clear how TfL and the Mayor will be able to fund their share of Crossrail 2.

TfL's financial position

2.1 As reported in our September 2016 report, Transport for London's Financial Challenge, and throughout last year's budget process, TfL is facing significant financial pressure. TfL has lost its revenue grant from the Government, which previously provided around £700 million each year. The Mayor's decision to freeze TfL fares– estimated by TfL to cost around £640 million over four years – restricts its ability to raise additional funds. And the Hopper ticket is costing TfL around £30-50 million a year.[28]

2.2 In response, TfL's December 2016 Business Plan introduced plans to deliver a Transformation Programme and make savings of £4 billion over the next five years.[29] It included approximately £3 billion of cumulative cost reductions in operating expenditure and approximately £1 billion in one-off cost reductions and value engineering from planned capital investment.[30] TfL's Chief Financial Officer described the 2016 Business Plan as "the most ambitious to date".[31]

2.3 A year later, and TfL's draft 2017 Business Plan states that TfL faces a "tough financial challenge." While TfL appears to be doing well against its savings targets, its fares revenue is falling, and it is also falling short on commercial income. TfL aims to shift the organisation away from an operating deficit to a surplus over five years.[32]

Fares income

2.4 TfL's fares revenue is falling, and is well behind budget. The Deputy Mayor for Transport told the Transport Committee in November 2017 that fares revenue for the year-to-date was around 2 per cent lower than the previous year.[33] TfL had budgeted in its December 2016 Business plan that it would make £4,877 million on fares in 2017-18 but is now forecasting that it will make only £4,658 million – £219 million less than expected. Passenger numbers on both the London Underground and the buses have fallen.[34]

2.5 We question whether TfL's forecasts for fares revenue are over-optimistic. Although there is an emerging trend of declining passenger journeys, TfL continues to plan for a marked increase. In 2015-16, there was a total of 4,063 million journeys in London across all modes of transport, falling to 4,053 million in 2016-17.[35] TfL's December 2017 Business Plan forecasts journey numbers to fall to 3,980 million, before rising year-on-year through to the end of the business planning period (2022-23).[36] TfL's Healthy Streets agenda, which includes plans to get more people walking and cycling, may further contribute to a fall in fares revenue.

2.6 This is not the first time we have questioned the robustness of TfL's forecasts. In last year's Pre-Budget Report, we raised concerns with TfL's expectation for fares income from bus journeys and questioned the implications of the fares freeze and the hopper ticket on fares income more broadly.[37] Having

reviewed the forecasts in TfL's December 2017 Business Plan, we are not convinced that TfL has heeded our concerns.

Commercial income

2.7 As with TfL's forecasts for passenger journeys, we question whether TfL's expectations for commercial income are achievable. Commercial revenue for 2017-18 is now forecast to fall below budget: TfL's latest Business Plan shows it is forecasting £728 million of 'other operating income' in 2017-18, compared to an initial expectation in TfL's 2016 Business Plan of £821 million.[38]

2.8 Despite this, TfL is now expecting to collect more commercial revenue over the next four years than it had planned in its 2016 Business Plan. In 2021-22, it hopes to collect £1,254 million of other operating revenue, £526 million more than in 2017-18.39 If TfL does not manage to generate this revenue, its financial situation will become even more precarious.

2.9 In terms of capital receipts, TfL is forecasting a significant increase in property and asset receipts in 2018-19. This year it is expecting to generate £89 million, but its December 2017 Business Plan shows a huge increase to £875 million in 2018-19. Capital receipts tend to fluctuate much more than revenue income, so large variations can occur from year to year. However, failing to secure the £875 million in 2018-19 (either not getting enough or getting it later than planned) could have a significant impact on TfL's finances. Unfortunately, we are unable to properly scrutinise TfL's plans, as TfL has told officials it is unable to provide any details at this time about the plans to realise the £875 million in property and asset receipts due to commercial sensitivities.

Capital programme

2.10 TfL has the largest capital investment programme of all the GLA Group bodies, investing over £2 billion a year in projects to maintain and improve London's transport system, including large projects such as Crossrail.[40] Its capital investment programme is financed in part through borrowings, which are expected to increase from £621 million this year to £801 million in 2018-19.[41] This is £200 million more than was in its December 2016 Business Plan. The Department for Transport agreed that it could borrow an additional £2,550 million over the four years from 2017-18 to 2020-21, and TfL is planning to borrow £2,520 million. This takes TfL to within £28 million of the borrowing limits set by central Government and does not leave significant headroom if TfL needs to borrow more money than planned for any of its projects.[42]

2.11 TfL made changes to its capital spending plans after Mayor Sadiq Khan was elected. These changes were first set out in TfL's December 2016 Business Plan. TfL told us that the changes came from a more detailed project-by-project analysis and reassessment of costs, with the Transport Commissioner

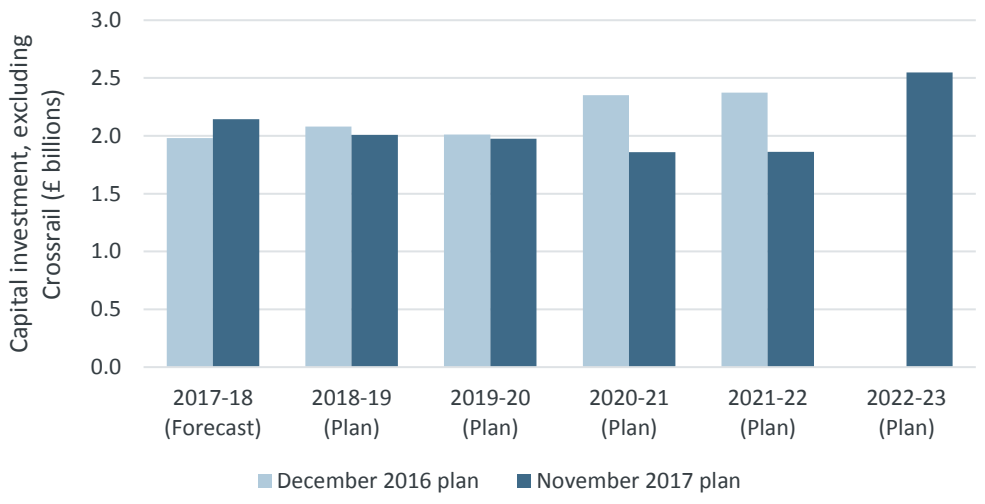
downplaying the quality of its previous Business Plan, published in March 2016.[43] In May 2017, the Transport Commissioner wrote to us to say

> "Given the broad-brush approach used for the March 2016 Business Plan and that we are continuing to refine this process, I would urge the committee not to place too great an emphasis on specific movements between the retrospectively calculated allocations for individual projects in March 2016 and those for December 2016."[44]

2.12 However, we now know that ongoing financial pressures have forced TfL to cancel parts of its capital programme. TfL has cancelled its plans to procure new trains and increase capacity on the Northern and Jubilee lines – having originally claimed that the project was merely being "paused".[45] TfL's Director of Strategy and Service Development explained that this decision was taken as a direct result of fares revenue falling behind forecast. He also explained that TfL is responding to financial pressure by prioritising asset replacement over enhancements. We suspect that the Mayor's fares freeze has contributed to this situation. If TfL was receiving more income in fares revenue it would be better placed to invest in its capital programme.

2.13 According to its December 2017 Business Plan, TfL's total capital spend will be lower in each of the next four years than in 2017-18. TfL is now planning to spend less on capital investment than it had previously set out in its December 2016 business plan. In 2020-21, it is planning for £1,860 million of capital spending, against £2,351 million in the previous Business Plan; and in 2021-22, TfL is planning for £1,862 million, against £2,373 million in the previous Plan. Only in 2022-23 does TfL's capital investment finally increase. We are not clear on why TfL envisages capital investment to increase in 2022 and will be seeking further information throughout this year's budget process.

Figure 4: TfL's capital spending (not including Crossrail) will be lower in each of the next four years than in 2017-18



Source: TfL Business Plans (December 2016 and November 2017)

2.14 The decision to cut capital investment is at odds with the Mayor's manifesto commitment to "[make] TfL a more efficient and profitable operation, not by cuts to spending on better services and more capacity."[46] While we recognise that TfL must make some changes to the way it operates to address its ongoing financial pressures, new capital investment is important for London's growth. Because the Tube is TfL's only profitable service, cutting investment there will limit TfL's ability to make the profit it needs to reinvest in other parts of London's public transport system. We are also concerned by TfL's plan to cut its investment in maintenance and renewals on London's trunk roads. Its latest Business Plan states:

> "Our investment in maintenance and renewals aims to ensure network safety and provide a serviceable level of 'state of good repair' for all highway assets.... Given the end to Government funding of the road network, this will mean a slight dip in asset condition from current levels."[47]

2.15 We await the publication of the Mayor's 2018-19 consultation budget to assess if TfL is indeed keeping with the Mayor's manifesto commitment to maintain spending on services and capacity.

Crossrail 2

2.16 Progress towards construction of Crossrail 2 remains disappointingly slow. Crossrail 2 is a proposed new railway linking the national rail networks in Surrey and Hertfordshire and providing much-needed extra public transport capacity through central London. It could be operational by the early 2030s, but the project is still in the early stages of planning. No Bill has gone through Parliament, and the decision to build has not yet been made.[48]

2.17 The prospects for progress were damaged in July when the Secretary of State for Transport announced that TfL and the Mayor should fund their half of the project during construction (10-15 years), rather than over the project lifetime (45 years) as previously planned.[49] This will clearly be significantly more challenging, and increase risk for TfL.

2.18 The Government's proposal would significantly increase the amount of money the GLA Group would need to raise in the next 10-15 years and/or require a substantial reduction in the costs of the scheme. All options to do this are likely to be difficult or controversial. They may include delaying the opening of the scheme, downsizing the scheme, borrowing more or finding alternative funding sources. One option could be for the GLA and TfL to borrow from the private sector to finance the project during construction. However, PwC concluded that the GLA and TfL would struggle to borrow from the private sector because of the scale of the project.[50]

2.19 The Mayor has shared plans with the Government to show how he can fund half of Crossrail 2 during construction, but has not made these public.[51] It was disappointing that funding for Crossrail 2 was not mentioned in the Autumn

Budget. The Mayor should publish his funding proposals so the Assembly can scrutinise them.

2.20 In light of the economic forecast and future decisions arising from Brexit, it is surprising that the Government hasn't grasped the nettle and moved this project forward. This is not an argument about London versus the rest of the country. London and the South East's significant contribution in generating tax revenue for the national economy has been proven, investment for Crossrail 2 makes sense not only on a local, regional and national level, but also in terms of the UK's international standing. The Government must be very clear about moving this project forward; and the Mayor and TfL must be ready to deliver despite the challenges to TfL's budgets. The committee will look at TfL's preparedness to deliver Crossrail 2 in the coming year.

Recommendation 3

The Mayor should publish the detail of his proposals to fund half of Crossrail 2 during construction.

3. Police

- The Met police is under severe financial pressure. Without further funding, the number of police officers is likely to be substantially reduced.
- In the absence of an any additional funding, the Met will need to develop – and deliver – plans to realise significant savings and efficiencies. To date we have been doubtful about the Met's ability to secure savings, particularly through its Digital Policing Strategy.

Financial pressure

3.1 The Met estimates that it faces additional cost pressure of £368 million up to 2021-22 to achieve a balanced budget.[52] The Met says that this cost pressure is the result of flat government funding while costs rise due to inflation and pay increases. The situation is made even tougher by increasing demand for the Met's services – London's population continues to grow and crime is on the rise. Unless the Government announces additional funding in its 2018-19 Police Grant Report (expected in mid-December), the Met will have to make these £368 million of savings. Following various Mayoral announcements, the Commissioner has said that this will restrict future activities of the Met to keep Londoners safe.

Front-line officers

3.2 The Met will have to cut officer numbers in response to this budget pressure. In its 2018-19 draft budget submission, MOPAC has now recognised that it will be operating at 30,000 officers.[53] This will save £100 million annually. Were the Met and MOPAC to close the funding gap entirely through officer number reductions the officer workforce would fall to 26,900 officers by 2021-22.[54] This is a reduction of around 13 per cent from current numbers. This would also be over 5,000 officers below MOPAC's previous strategic target of 32,000 officers, a target that the Mayor recently removed. Following our investigation into the Met's finances this year, we asked the Mayor to reconsider the target and make it more evidence-based.[55]

Savings and efficiencies

3.3 In the face of a significant funding challenge – and the possible absence of any additional funding from Government – the Met needs to develop realistic plans for delivering savings and efficiencies. The Met has developed plans to achieve £185 million of the £368 million of savings it needs by 2021-22.[56] This leaves another £183 million of savings which the Met has not yet planned to achieve, let alone secured. MOPAC's current savings targets are built on an expectation that its counter-terrorism and protective security expenditure will be fully funded, and the Government will provide additional Special Grant for the additional policing costs associated with Grenfell Tower. MOPAC suggests that if funding is not forthcoming, the Met will be required to fund the additional costs from existing budgets.[57]

3.4 Earlier this year, we concluded that the Met's saving plans are optimistic and operate on very tight assumptions. This is also the view of HMIC, who told us that if any of the savings programmes were missed it would "clearly" lead to reductions in other areas.[58]

3.5 The Met is failing to make the savings it needs from its Digital Policing Strategy and has consistently overpromised what savings it expects to deliver. The previous digital strategy for 2014-17 promised £60 million of savings but

delivered less than half.[59] The Met has experienced some severe setbacks on individual projects. For example, the Met entered into a £90 million contract with Northrup Grumman in 2014 to replace the 30-year-old Command and Control system. But, in January 2016, it announced a three-year delay to system rollout, and, in March 2016, it terminated the contract. This contract failure raises concerns about the complexity of IT modernisation required and the Met's ability to properly manage IT procurement.

3.6 For the 2017-18 budget, the Met originally tabled £38 million of cumulative digital savings to 2020-21.[60] The Met later removed all of these digital savings, saying that the previous plans "did not stack up financially".[61] Now MOPAC has budgeted for just £13.1 million of digital savings in 2018-19.[62] Digital Policing is a vital part of the Met's efforts to transform itself, improve outcomes and save money. The delays to projects are therefore extremely concerning.

Recommendation 4

The Met needs an action plan to get digital savings back on track and the Mayor should consider using his Chief Digital Officer to oversee and provide challenge to the action plan.

4. Fire

- We welcome the reform of the London Fire and Emergency Planning Authority (LFEPA), and encourage the Mayor to ensure transparency is maintained once responsibility for the London Fire Brigade (LFB) comes into City Hall.
- While it is positive that LFEPA has presented a balanced budget proposal for 2018-19, a budget gap emerges in 2019-20, growing to some £20 million by 2021-22. The Mayor must set out how he intends to address this, and be open and transparent about what changes may be ahead for LFB's front-line.
- Since the Grenfell Tower fire, the Mayor has argued LFB requires additional specialist equipment and resources, but the Government has stated it will not fund this request. If the Mayor cannot negotiate additional funding from the Government he will have to find other ways of funding LFB.

Reform of the London Fire and Emerging Planning Authority

4.1 The much-anticipated reform of LFEPA has been delayed. In January 2016, the Government announced it would legislate to abolish LFEPA, create a position for a statutory London Fire Commissioner with responsibility for running the LFB, and give the Mayor responsibility for setting the budget and strategic direction. A new role of Deputy Mayor for Fire would also be created, as well as a new committee of the London Assembly to provide scrutiny of London Fire Brigade. The Policing and Crime Bill received Royal Assent on 31 January 2017, and we expected these changes to be made in summer 2017. We now expect the reforms to be implemented in spring 2018.

4.2 As we have noted in our previous reports and highlighted in the work of the GLA Oversight Committee, the steps to abolish LFEPA must not lead to a loss of transparency.[63] LFEPA's status as a local authority means it is subject to Access to Information rules, which require it to publish a range of information, including meeting agendas, papers and minutes. In 2012, when the Metropolitan Policy Authority was replaced by MOPAC, transparency decreased. The same must not be allowed to happen when LFEPA is replaced. The Mayor must ensure that LFEPA's high standards of transparency are not lost when responsibility for it comes into City Hall.

Funding pressures

4.3 LFEPA has presented a balanced budget proposal for the upcoming year, but its funding position begins to deteriorate over the years to come. The Mayor plans to keep LFEPA's revenue funding level at £382.4 million from 2018-19 to 2021-22. While this proposal maintains LFEPA's revenue funding in cash terms, inflation will mean that LFEPA's funding will decrease in real terms. LFEPA will move from a balanced budget into a deficit. By 2021-22, LFEPA is forecasting a budget gap of £19.9 million.[64]

4.4 LFEPA plans to use its reserves to help close its funding gap in the short term. In 2019-20, LFEPA will draw down £12.8 million from its Budget Flexibility Reserve to mitigate the £14.7 million budget gap in that year. However, that will still leave a £1.9 million funding gap in 2019-20, and the Budget Flexibility Reserve will be fully exhausted. LFEPA's funding gap continues to grow in future years, increasing from £1.9 million in 2019-20 to £16.1 million in 2020-21, before rising to £19.9 million in 2021-22.[65]

4.5 Using reserves to fill funding gaps is unsustainable. LFEPA's Budget Flexibility Reserve will be used up in 2019-20. It will need to find a different solution to close its budget gap, either by securing more funding from the Mayor or the Government, or by achieving further savings and efficiencies. Last year, the Fire Commissioner and the Mayor assured us there would be no further station closures, but this appears to remain a real possibility in the coming

years unless further savings become available, or the Government changes its stance, or the Mayor increases funding through a combination of precept and reallocations of budget.[66]

4.6 Some of LFEPA's budget gap is attributed to assumptions around pensions and pay – LFEPA is budgeting for a 2 per cent basic pay award for operational and control staff in 2017-18 and 1 per cent pay awards for all staff in future years.[67] If these assumptions do not materialise as expected – for example, it is the Government who decides on firefighter pay increases – the level of LFEPA's projected budget gap may change. The Mayor will have to monitor the outcomes on both to assess LFEPA's funding requirements.

4.7 If the Mayor is not successful in closing the funding gap, or if further savings cannot be found, or if the Government does not increase funding to the LFB, tough decisions may need to be taken to review the service level LFB provides to Londoners. The Mayor must be open and transparent about how he intends to manage LFEPA's budget gap and what changes to the front line may lay ahead.

Request for new specialist equipment and resources

4.8 Since the fire at Grenfell Tower on 14 June 2017, the Mayor has argued that LFB requires additional specialist equipment and resources. In a letter to the Home Secretary on 12 July 2017, the Mayor stated that the Fire Commissioner has undertaken "an initial assessment" of specialist equipment and resources required, and has indicated that "LFB will need a range of new specialist equipment at an estimated cost of £6m in order to ensure that they are fully prepared for the challenges ahead."[68] This includes:

- £5.2 million of capital costs for three new extended height aerial appliances, two drones, and extended duration breathing equipment
- £970,000 of revenue items, including funding for the investigation team working on the Grenfell Tower Inquiry, an increase in fire safety inspection officers, and training.

4.9 The Mayor also requested an additional £6 million to fund ongoing revenue costs, including maintenance for the new capital items, legal costs to support the Grenfell Tower investigation, and a potential increase in sickness and associated overtime costs.[69]

4.10 The Home Secretary is refusing to provide any additional funding. On 3 August, she responded that the "amount of funding provided to LFB for undertaking fire and rescue services across the capital is, of course, a matter for you as the Mayor of London in conjunction with the London Fire Commissioner and the London Fire and Emergency Planning Authority."[70]

4.11 LFEPA has built in the costs for the new specialist equipment and resources into its 2018-19 budget submission and is pushing ahead with plans to procure the new equipment, regardless of the budget implications. The Mayor

has stated that he will continue to lobby the Government for a favourable position for LFB in the Local Government and Fire Services Finance Statement.[71] If he is not successful in negotiating additional funding, he will have to find other ways to fund LFB, or reduce its costs.

5. Housing

- London's housing supply is falling well short of what's needed to meet demand. The Mayor believes London needs between 50,000 and 66,000 new homes a year.
- The Mayor has now allocated most of his £3.15 billion affordable housing settlement, but it is too early to tell what effect this will have on London.
- Some of the Housing Zones may be at risk of losing their funding.
- For yet another year, the GLA is struggling to spend its funding for the London Housing Bank. This is not the first time we have noted it is becoming a wasted resource.
- More details are needed about how the Mayor will use £250 million of funding to create a new Land Fund to deliver more affordable housing.

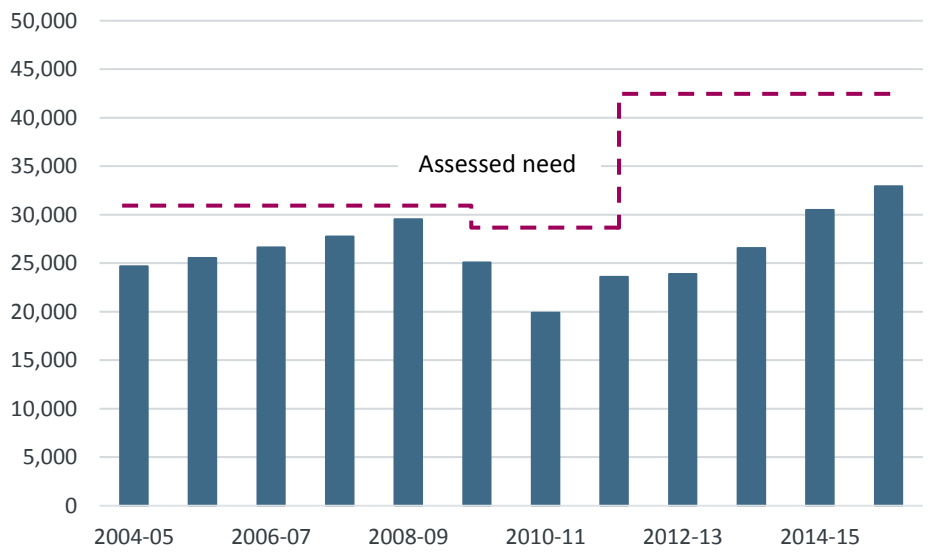
London's requirements

5.1 The Mayor has increased his estimate of how many new homes London needs each year. In October 2017, the Mayor said that London needs 66,000 new homes each year, and that 65 per cent of them should be affordable.[72] These figures are based on the new Strategic Housing Market Assessment (SHMA) for London, and are much higher than previous figures. Up until now, the Mayor has been working with the figures set out in his manifesto – and based on the 2013 SHMA – that London needs 50,000 new homes each year, and that half of them should be affordable.[73]

5.2 London is currently falling short even on the original assessment that 50,000 new homes are built each year. In 2016-17, there were 39,560 net additional dwellings in London.[74] The same year, only 4,934 affordable homes were completed using Mayoral funding. (The number of affordable housing starts was higher, at 8,935).

5.3 In our 22 November meeting, the GLA's Executive Director of Housing and Land, David Lunts, said that, while he was confident the Mayor would be able to deliver his commitments under the affordable housing settlement, he would not be able to meet his manifesto target that 50 per cent of all new homes were to be affordable. He estimated that the Mayor would require a budget of £2.7 billion a year to ensure that 50 per cent of all new housing was affordable. The Government currently provides London with approximately £500 million for affordable housing a year.[75]

Figure 5: London has consistently built fewer homes than needed



Sources: DCLG/London Development Database/GLA Strategic Housing Market Assessments

Recommendation 5

The Mayor should clarify how far his funding programmes will go towards meeting London's housing need of 66,000 new homes a year, 65 per cent of which are affordable.

The affordable housing settlement

5.4 Last year, the Mayor and the Government agreed a favourable affordable housing settlement for London. In return for £3.15 billion, the Mayor must deliver 90,000 housing starts by 2021. As the table below shows, the rate of affordable housebuilding will have to increase significantly compared to recent years.

	Affordable housing starts[76]	Affordable housing programme - capital spending[77]
2015-16 Actual	7,467	N/A
2016-17 Actual	8,935	N/A
2017-18 Trajectory	12,500 – 16,500	£128 million
2018-19 Trajectory	14,000 – 19,000	£222 million
2019-20 Trajectory	17,000 – 23,000	£500 million
2020-21 Trajectory	18,000 – 25,000	£750 million
2021-22 Trajectory	N/A	£1,588 million
Total	90,000	£3,188 million

5.5 Around £2.7 billion of the £3.15 billion has now been allocated, and will fund up to 89,000 new homes.[78] The remaining money will be allocated through continuous bidding and a new Innovation Fund. This will support proposals for innovative forms of affordable housing, such as live-work spaces for London's small businesses and entrepreneurs. The GLA's Executive Director of Housing and Land told the Committee on 22 November that he was "confident that we will hit our starts trajectory this year" and that the GLA will meet the overall 90,000 target by the end of 2020-21.[79]

5.6 The Government's key target for the affordable housing settlement is on housing starts, but completions are the thing that makes the difference to London. The GLA's Executive Director of Housing and Land explained to us that focusing on housing starts enabled more long-term planning as it helped avoid the stop/start approach caused by trying to push completions through by 31 March each year.[80] However, backloading appears to have continued, with GLA figures showing only 570 starts and 1,689 completions in the first seven months of the year (to October 2017). The committee will continue to

monitor the GLA's progress in both starting and completing affordable housing.

5.7 We welcome the Mayor's commitment to transparency, but much more could be done to ensure better oversight, outcomes and understanding on crucial decisions to tackle the housing crisis. Past Mayors' strategic interventions into the housing market have been ambitious. However, we need to better understand the financial and provisional benefits received locally, regionally and nationally from favourable planning conditions, housing subsidies and the provision of public land through joint venture or sold at under market value. There should be greater oversight for the arrangements of the Housing Association subsidy to ensure that money is spent on what it is allocated for.

Introduction of 'fast-track' route around viability assessments

5.8 In August 2017, the Mayor introduced a fast-track route whereby developers could avoid submitting a viability assessment if they agreed to provide at least 35 per cent affordable housing on a private development or 50 per cent affordable housing if the development is on public land.[81] As the choice of a fast-track route was only introduced in August this year, it is not yet clear whether it will succeed in incentivising developers to build more affordable housing.

Recommendation 6

The Mayor should review how successful the "fast-track" route around viability assessments has been at incentivising developers to build more affordable housing, and report back to the committee in September 2018, after the scheme has been running for 12 months.

Housing zones

5.9 During last year's budget process, we highlighted the GLA's struggle in spending Housing Zones funding. Under the Housing Zones project, 30 areas of London with high potential for growth will receive up to £600 million of Mayoral and government funding to speed up development. The Mayor expects that the funding will deliver 75,000 new homes and provide 150,000 jobs over the next 10 years.[82]

5.10 After a slow start, the GLA's Quarter 1 monitoring report suggests that the Housing Zones project is back on track. The Mayor set out in his draft Housing Strategy that progress on Housing Zones has sometimes been held back due to a lack of resources in councils. He is therefore providing councils with

£600,000 over the next two years to fund revenue costs, including additional staff in Housing Zone areas.

5.11 The draft Housing Strategy also explains that the Mayor intends to focus more resources on "the strongest Housing Zones". This inevitably means that some of the less successful Housing Zones are therefore at risk. The GLA's Executive Director of Housing and Land told us that the GLA will be "deallocating the funding that was associated with those boroughs" but that the GLA will engage with them on a "new business basis" next year.[83]

Recommendation 7

The Mayor should clarify how he is focusing his spending on Housing Zones, and what will happen to the Housing Zones he has not chosen to prioritise.

London Housing Bank

5.12 For yet another year, the London Housing Bank (LHB) continues to be underused. The LHB aims to accelerate housing supply by getting developers to complete homes ahead of timetable. The scheme is funded through a £200 million loan from the Department for Communities and Local Government (DCLG), which the GLA is in turn supposed to lend to developers to support delivery of 3,000 affordable homes. The GLA budgeted £40.8 million for the LHB in 2017-18, but is now forecasting that it will only be able to spend £25 million.

5.13 The Mayor told us in January 2016 that he was in discussions with DCLG about how he might spend the LHB funding in a different way. However, at our 22 November 2017 meeting we were told that there has not been a successful resolution to the Mayor's request. In the absence of any successful negotiations with DCLG to reallocate funding, the LHB is becoming a wasted resource.

The Land Fund

5.14 The GLA is in the process of finalising the operational and governance arrangements for a new Land Fund. This will be resourced through GLA Land and Property Ltd receipts. The Mayor said in September 2017 that he will earmark £250 million for City Hall to buy and prepare land for new and affordable housing.[84] We are not clear if or how the Land Fund will work with the London Land Commission, which was set up in February 2015 by the previous Mayor and Chancellor, to identify brownfield land for development

in public ownership, and help co-ordinate and accelerate the pace of land released for homes in London.

5.15 We will monitor the Land Fund's progress and delivery of affordable housing. The GLA's initial plans are that the fund will be overseen by an investment board, and recycled over time to continue unlocking opportunities across the capital. The GLA's Executive Director of Housing and Land told us that he expects the fund will be up and running in early 2018.

6. Environment

- We have concerns about funding for the Mayor's key environmental priorities. Funding for home retrofitting appears to be ending this year. Funding for carbon reduction projects is to be cut in 2018-19, in parallel with revisions to carbon reduction targets.
- The Mayor is introducing new funding for some environmental programmes, such as air quality, bottled water and planning.
- The Environment Team is putting together a business plan to ensure it has adequate internal resources. It must also build on its success in securing funding from external private sector resources in order to support the Mayor's environmental priorities.

Funding the Environment Strategy

6.1 We are concerned about plans to reduce funding for the Mayor's environmental priorities, as set out in his new draft Environment Strategy.[85]

- There is no funding to support home retrofitting in London in the 2018-19 budget. The previous year's capital funding for home retrofitting of £1.1 million has been removed from the 2018-19 capital budget.[86] This is despite the Mayor introducing a Fuel Poverty Action Plan, and plans to improve energy efficiency in homes by providing technical assistance, support and funding.[87] The GLA's Executive Director of Development, Enterprise and Environment has suggested that the £1.1 million will be reprofiled across future years of the budget, but we are yet to see the detail of these changes.
- The draft Environment Strategy includes a proposal to tender for an energy supply company to offer fairer energy bills for Londoners. This may require some funding to incentivise commercial operators to offer cheaper details to consumers, which we have not seen reflected in the draft core GLA budget.[88]
- The Environment Strategy has lowered the short-term ambitions to cut carbon emissions in London (from 60 per cent to 52 per cent by 2025), and the core GLA budget reflects that. Over the longer term the ambition is greater, aiming to cut emissions by 90 per cent by 2050, rather than by 80 per cent. In its response to the Mayor's draft Environment Strategy, the Environment Committee has called for "faster carbon reductions at an earlier stage", suggesting that it may be a false economy to not invest more now.[89] Yet the draft core GLA 2018-19 capital budget proposed to cut capital funding provided for energy projects from £6.2 million in 2017-18 to £2 million in 2018-19.[90] We question whether the GLA has sufficient resources to meet the Mayor's carbon reduction target.

6.2 The draft core GLA budget also does not allocate any money to achieving the Mayor's objective to increase recycling in London. The Mayor wants to increase the London average housing recycling rate to 42 per cent by 2022, and increase municipal waste recycling from 52 to 65 per cent by 2030, to make London a zero-waste city by 2030.[91] This will be a challenge for the Mayor, as currently, only 30 per cent of household waste is recycled in London.[92] In a recent Environment Committee meeting, the GLA's Environment Team Policy & Programmes Manager, Andy Richmond, told Members that "on paper, we have everything that we need, apart from the money."[93] The Mayor must set out what funding he is providing to address this priority.

Recommendation 8

In his consultation budget, the Mayor should explain why capital funding has been cut for domestic retrofitting and energy projects, and what funding he has allocated for delivering his recycling priorities.

Additional funding

6.3 Some of the Mayor's environmental priorities are receiving additional funding. The Mayor has provided an extra £0.4 million for Air Quality, £0.3 million for Bottled Water and £0.1 million for Planning.[94] The additional money for Bottled Water has been welcomed by the Environment Committee, which recently investigated this issue and made recommendations to the Mayor.[95] In the Autumn Budget, the Government also announced plans to tackle plastic waste. The Mayor should seek to access any funding that the Government makes available.

6.4 The Fuel Poverty Action Plan will invest directly in fuel efficiency programmes targeting fuel poverty, fund advice networks for those living in fuel poverty, and help Londoners get access to all income support they are entitled to.[96] The Mayor's plans for domestic retrofit include a new whole-house zero-carbon retrofit programme. The GLA will finance the retrofit upfront, and then reclaim the installation cost out of the savings on the householder's energy bills. Both domestic retrofit and the Fuel Poverty Action Plan require GLA funding. However, there is no specific mention of funding for the Fuel Poverty Action Plan and the previous year's capital funding for home retrofitting of £1.1 million has been removed from the 2018-19 capital budget.[97] In November, the GLA's Executive Director of Development, Enterprise and Environment told the committee that this was not removal, rather re-profiling.[98]

New business plan

6.5 The GLA's Executive Director of Development, Enterprise and Environment also told us that the GLA Environment Team is putting together a Business Plan to make sure it has the internal resources it needs to deliver the Environment Strategy. She added that the Environment Strategy is:

> "Not simply about us delivering. It is also a call to action for others, and it is also about setting some policy frameworks to make that happen. For example, the Environment Team historically has been fabulous at getting other people's money in to deliver on a lot of these targets."[99]

6.6 She noted that the Environment Team recently used £43 million of European Regional Development Funds (ERDF) and £100 million from the European

Investment Bank (EIB) to leverage £260 million of private sector resources to support the London Energy Efficiency Fund.[100] In the face of reduced funding for some environmental programmes, and the end of ERDF and EIB funding and financing in the near future, the GLA's Environment Team's job will only get harder.

7. The Old Oak and Park Royal Development Corporation

- The publication of the Masterplan for the huge regeneration project at Old Oak is expected in spring 2018. This will provide some indication of how much funding the OPDC will require in the years to come.
- The transfer of government land to OPDC should be agreed in the new year. The terms of this deal will have a significant impact on how the project can proceed.

Funding

7.1 In 2017-18, the OPDC has been conducting preparatory work to inform the development of the Masterplan for the site. In May 2017, the OPDC awarded the Old Oak Masterplan contract to AECOM, at a value of £3 million.[101] AECOM will identify infrastructure needs and provide a spatial plan for the area with options that will reflect the Mayor's priorities. The OPDC will implement the plan with a range of partner organisations.

7.2 The Masterplan will not be ready in advance of the 2018-19 budget, and so it may be difficult to assess what funding the OPDC requires to deliver it. The final Masterplan is scheduled for spring 2018, and it may come after the Mayor publishes his final budget for the year. Once the Masterplan is in place we expect construction and development work to start. The Mayor must consider what funding the OPDC requires to support the delivery of the masterplan for the site.

Land transfer

7.3 One of the more complicated aspects of the project relates to land transfer. 72 per cent of the brownfield land that makes up the 134 hectare OPDC core development area is owned by the Government. In March 2016, a Memorandum of Understanding – not a legally binding contract – was struck between the OPDC and the Department for Transport (DfT), who currently owns the land. The Mayor's November 2016 review criticises the terms of this deal, in particular the purchase terms. The Memorandum (agreed towards the end of the previous administration) states that land transfer "should be on commercial terms unless otherwise agreed".[102] The Mayor instead called for "terms akin to those offered when Greenwich Peninsula was transferred to the GLA in 2012," i.e. no purchase costs.[103]

7.4 The GLA is still working to progress the land transfer. In November, we heard that no deal had been agreed, but that discussions should be concluded early in the new year.[104] We will continue to monitor progress in this area. It seems unlikely that the DfT would agree to transfer this land to the OPDC with no costs attached, but the land is necessary if the OPDC is to progress its aims to create new jobs and homes in the area. Once the OPDC has control over the land, it may need to fund the costs of cleaning up the formerly industrial land and preparing it for development.

8. The GLA

- A number of factors continue to create uncertainty for the GLA's finances, such as potential further devolution of budgets to London, the complexities of Brexit, and the start of 100 per cent local retention of business rates.
- The Mayor is proposing to give TfL an additional £75 million in business rates. He has not set out what consideration he has given, if any, to allocating this additional funding to other areas of the GLA Group.
- For another year, the Mayor is proposing to increase the *police precept* by 1.99 per cent, but not total council tax. We have previously recommended that he could consider raising the total council tax by 1.99 per cent.[105]
- The GLA needs to publish better information on planned savings and efficiencies, and on key performance indicators. Without these it is more difficult for this Committee, and Londoners, to hold the Mayor to account on delivery against his budget and main policy objectives.

Uncertainty ahead for the GLA budget

Devolution

8.1 There are two devolution deals on the horizon that introduce uncertainties for the GLA's budget in future years. These are the devolution of the Adult Education Budget (AEB) and health and care services in London.

8.2 The draft core GLA budget states that the Mayor will be responsible for commissioning, delivery and management of the AEB from 2019-20, worth around £400 million a year. This will require significant preparatory work, as well as ongoing support costs. The GLA is currently negotiating with Government over preparatory costs. The GLA's Executive Director of Development, Enterprise and Environment recently told us she expects the GLA will receive £1.4 million per year in transition funding. The draft core GLA budget states that the proposed devolution of AEB responsibilities in London will be subject to a formal consultation under the GLA Act with the Assembly and London boroughs in early 2018. The consultation should clearly identify what level of resources the GLA requires in 2018-19 and in future years to support the takeover of the AEB.

8.3 There are also questions over the Government's plans for devolving health and care services. On 16 November 2017, the Mayor announced that a devolution deal had been reached for health and care services in London. The Memorandum of Understanding has been signed by the Mayor of London, Secretary of State for Health Jeremy Hunt, London Councils and the NHS, Public Health England and wider health and care leaders. It is not yet clear whether this will mean the Mayor has control of health and care budgets in London and if funding will be devolved to the GLA. These areas of spending will need to be monitored as more information becomes available about what the deal means for health and care funding in London.

The UK's exit from the European Union

8.4 The UK's decision to exit the European Union has created additional uncertainty over the GLA's financial position. One potential impact is the effect Brexit might have on the GLA's business rates income. The draft core GLA budget claims that Foreign Direct Investment fell by 35 per cent from the first six months of 2016 to the first six months of 2017.[106] This may have implications for the GLA's share of retained business rates in future years. Additional factors such as the downgrading of the UK's credit rating, the possible loss of cheap borrowing via the European Investment Bank, and the Government's plans to create a UK Shared Prosperity Fund to replace the current funding received from the European Union, could all affect the GLA's future budget.

8.5 We look forward to the Government's announcements on replacements for EU funding, such as the European Structural and Investment Fund, the

European Regional Development Fund, and funding for the university research and development sector, as well as favourable conditions for London's financial sector and other businesses. These deals should ensure that the security threat to London's business is not compromised by weakened collaboration between the UK's and the EU's security agencies.

Business rates

Business rates pilot

8.6 In the 2017 Autumn Budget, the Government confirmed that the Mayor, the 32 London councils and the City of London Corporation will pilot a 100 per cent business rates retention scheme in 2018-19, replacing the current 50 per cent retention scheme.[107] Government will formally approve the proposal via the Local Government Finance Agreement, expected in mid-December 2017. All 33 London councils will then need to take decisions at full Cabinet sessions to approve the pilot for it to start on 1 April 2018.

8.7 The pilot for next year has two founding principles: "nobody loses" and "all members share some of the benefit".[108] All boroughs will keep what they currently receive in business rates and central Government will no longer collect a share.

8.8 Because the Government is just replacing the funding streams that London currently receives in grants with business rates, no other area of the country will be adversely affected. The pilot does not change the existing tariff and top-up system and so London will still share £1.9 billion of its business rates income with other areas of England. London will receive additional funding from its own local growth, but this is not at the expense of other regions. Other devolved regions with Mayors have been allocated £1.7 billion from the Transforming Cities Fund.

8.9 The pilot also allows London to retain any growth in business rates income, which will mean additional money for the GLA. Previously, growth in business rates was subject to a central government levy, but the pilot removes this. London Councils estimate the benefit to London at £240 million.[109] 15 per cent of this – some £36 million – will be used to create a strategic investment pot. The remaining £204 million will be shared between the local councils and the GLA, with the GLA estimated to receive some £74 million.

8.10 As well as confirming the London business rates pilot, the 2017 Autumn Budget made four additional changes to business rates. The Government brought forward a switch from measuring inflation by the Retail Price Index (RPI) to the Consumer Price Index (CPI), addressed the "staircase tax", continued business rates relief for pubs, and stipulated business rates revaluations every three years. The Government has said that "local government will be fully compensated for the loss of income as a result of these measures."[110] It did not confirm, however, how long it intends on compensating local government for any losses. The committee will continue

to monitor the detail of these changes and any implications for the GLA as they emerge.

8.11 Although Borough Leaders have agreed in principle to sign up to the scheme, future disagreements between the boroughs and/or the Mayor about how to distribute any growth could stop the pilot going ahead. The pilot needs to be agreed by a Cabinet decision in all 33 London councils as well as by the Mayor before it can go into action. If the pilot cannot be agreed then business rates will revert to the current retention scheme and all authorities will continue to receive the same level of funding from business rates that they retain now. Under the pilot, use of the strategic investment pot needs to be agreed by the collective – meaning a two thirds majority. It is unclear how businesses will contribute to decisions about the strategic investment pilot. The London Enterprise Action Partnership makes decisions about other pan-London business investment but is not involved with the strategic investment pot. Any late collapse of the pilot would add further complications as the Mayor sets the 2018-19 budget. We are not clear on what role, if any, the London Enterprise Action Partnership will have in advising on the use of the strategic investment pot.

The business rates reserve

8.12 The GLA manages risks around business rates income through the Business Rates Reserve. The GLA commits business rates income for the year ahead based on a forecast from the London boroughs. For example, the 2018-19 GLA Group budget will be set based on forecasts that the boroughs will submit in January 2018. Only in summer 2019 will the GLA know for certain how much money was collected and whether the forecast was accurate.

8.13 The GLA's policy is to hold enough reserve to cover the largest negative percentage variance seen in the past between expected business rates and actual business rates. This is 5.8 per cent and in 2017-18 this meant an intended Business Rates Reserve of £188.2 million.[111] The GLA has put almost £70 million into the reserve in 2017-18 to reach the desired level of cover, should the 2017-18 collection rates fall below forecast.

8.14 The Mayor's Chief of Staff told the Committee on 22 November that "I fear the situation gets worse" with regards to the complexities of producing robust and accurate forecasts for retained business rates.[112] The new appeal system and a lack of resources means that the Valuation Office Agency is making slow progress with valuations in London and there are still tens of thousands of appeals outstanding. This makes it hard to produce accurate business rates forecasts. And because appeals can be backdated to the revaluation, they can alter previous years' total revenue after it was already used by authorities, which requires adjustments from the current year's funds. This strengthens the case for ensuring that the GLA's business rates reserve is adequately funded to respond to any unplanned fluctuations in business rates retention.

8.15 Finally, the Government's Fair Funding Review looms on the horizon, and any changes may affect the GLA's share of business rates income. When the review is carried out, it will consider the current level of business rates and determine how a needs assessment would work to recalculate the system of tariffs and top-ups. While the review is not expected any sooner than 2020-21, the GLA must factor in provision for any unfavourable determination for London within its business rates reserve.

Recommendation 9

The Mayor's consultation budget should clearly set out how the Business Rates reserve is calculated to address new risks, including the GLA's participation in the London business rates pilot, changes to the appeals process, and the upcoming Fair Funding Review.

Moving business rates income around the GLA

8.16 The Mayor can move business rates income around the GLA Group according to need and has done so in the past. For example, he provided the Mayor's Office for Policing and Crime with an additional £2.5 million of business rates income in the 2017-18 budget. And the previous Mayor allocated LFEPA additional funding in 2014-15 and 2015-16 out of Revenue Support Grant on the same principle.[113]

8.17 The Mayor intends to allocate TfL £75 million of additional business rates income in the 2018-19 budget. The GLA Executive Director of Resources explained at our 22 November meeting that this is reimbursement for £75 million held back from TfL in 2015-16 by the previous Mayor to cover a short-term deficit in business rates income. As that deficit has now been recovered, the Mayor has chosen to fulfil the previous administration's commitment to return the £75 million.

8.18 The Mayor's decision to allocate TfL an additional £75 million of business rates goes against his budget advice last year and this committee's recommendations on police funding.[114] In July 2016, the Mayor introduced a "process of de-coupling the sources of income from the spending needs of the GLA and its functional bodies".[115] The £75 million was held back from TfL nearly two years ago and the return of it was not built into TfL's December 2016 Business Plan.[116] We question what consideration the Mayor has given to whether this funding could be better used to fund other areas of the GLA Group, particularly MOPAC or LFEPA, who are both facing significant funding pressures of their own. We would welcome clarity from the Mayor about his rationale for this decision.

Recommendation 10

The Mayor should explain why he has given TfL an additional £75 million of business rates, and what consideration he has given to distributing it to other areas of the GLA Group which may also require additional funding. He should also bring forward proposals for how future allocations of business rates will be distributed across the Group.

Council tax

8.19 For another year, the Mayor is proposing to increase the police precept (the part of council tax which goes to the police) by 1.99 per cent, just below the threshold that would trigger a local referendum, and the level of increase required by the Home Office in order to keep its level of police grant steady in cash terms.[117] This meant that the total increase to council tax this year was 1.46 per cent overall.[118] The police precept increased from £202.11 to £206.13 for Band D council tax payers.[119]

8.20 The 1.46 per cent increase in council tax provided an additional £11.3 million for the police service in 2017-18. If the Mayor had increased the overall council tax bill (i.e. not just the police precept) by 1.99 per cent, it would have raised a further £4.1 million and increased the average band D bill by £1.47.

8.21 During last year's budget process, Members asked whether the Mayor would consider increasing overall council tax by 1.99 per cent to provide additional revenue to the GLA Group. This year, as other areas of the GLA Group show increasing pressures on their finances, we recommend the Mayor once again consider whether this increase would be justified.

Recommendation 11

The Mayor should consider whether to raise overall council tax by the maximum he can without a referendum (1.99 per cent) to provide additional funding for the GLA Group.

Savings and efficiencies

8.22 As funding pressures persist across the GLA Group, it is increasingly important that the GLA and its functional bodies have robust plans for delivering savings and efficiencies. Last year, we raised "serious concerns regarding the draft core GLA budget, which lacks many elements needed to allow proper scrutiny."[120] We noted weaknesses in the transparency and quality of

information throughout the budget-setting process, and recommended that the Mayor should set out the savings and efficiencies for the GLA and functional bodies for 2017-18 in the draft consultation budget.

8.23 The Mayor responded positively, and introduced new requirements for the GLA Group in his June 2017 budget guidance. The GLA and its functional bodies were instructed to present their savings on a cumulative and incremental basis, and provide a detailed reconciliation between the capital control totals specified in the Mayor's Budget Guidance for 2016-17 to 2020-21 to the proposed new capital programme for 2017-18 to 2021-22, in their budget submissions.[121]

8.24 We were therefore disappointed that this information did not appear in the GLA's budget submission. In fact, less information was provided in the document than in the previous year's submission, as there was no table with savings at all, let alone the presentation of figures on a cumulative or incremental basis. In previous years, forecast savings and efficiencies did appear in the draft core GLA budget. A detailed reconciliation of changes to capital funding was also absent from the draft core GLA budget, although officials provided it separately.

8.25 We expect the Mayor's draft consultation budget to clearly set out what savings and efficiencies each part of the GLA Group expects to make from 2018-19 to 2020-21, and to include a detailed reconciliation between the capital control totals specified in the Mayor's Budget Guidance for 2016-17 to 2020-21 to the proposed new capital programme for 2017-18 to 2021-22. This is particularly important as, under the current proposals, Mayoral funding for LFEPA, the LLDC and the OPDC will fall in real terms over the next four years. In his budget guidance, the Mayor stated that "broadly speaking control totals are flat about the Group while inflation and other spending pressures grow, and substantial efficiency and savings are required."[122] This means that the functional bodies will have less money available to maintain the services that they already deliver, and no additional funds to deliver the Mayor's priorities.

Recommendation 12

The Mayor should set out the savings and efficiencies for both the GLA and its functional bodies on a cumulative and incremental basis in the draft consultation budget.

Performance management/Key performance indicators

8.26 For yet another year, the core GLA budget appears to operate in the absence of any Key Performance Indicators (KPIs) to monitor performance or outcomes.[123] It has been over a year since we first asked for them, but there

are still no KPIs attached to this year's draft core GLA budget. The draft budget states that the GLA is in the process of "embedding" a new approach to performance management with a focus on an initial five themes, which include air quality, culture and the creative industries, future economy, housing and social integration.

8.27 It is not unreasonable to expect a full suite of KPIs to be up and running by now – over 18 months since the Mayor's election. We recognise that these take some time to establish, as the Mayor's priorities become clear and the monitoring and reporting systems are set up. However, the latest quarterly monitoring report provides full data on just two KPI areas (future economy and housing), and only plans for how performance will be reported on the other three areas. While we look forward to receiving data on all five themes in the Q3 report, expected in March 2018, it would have been preferable for these to have been complete for the 2018-19 budget submission.

8.28 The draft budget suggests that for a second year no project prioritisation process has taken place, as was done under the previous administration during the budget setting process. It states, "as the Mayor agreed the detailed GLA budget for 2017-18 in March 2017, it has not been necessary to undertake a full review of budget items; teams have rightly been concentrating on delivery."[124] This seems to suggest that no review has been done of the programmes carried over from Mayor Johnson's administration, to assess whether they are delivering the desired outcomes, and the majority of the GLA's programmes lack KPIs.

8.29 As we have set out previously, the GLA introduced KPIs in 2013 in response to pressure from this committee, which wanted to see a clearer link between budgets and planned outcomes. Under the previous administration, KPIs accompanied the draft core GLA budget. Without proposed performance measures it is difficult to assess what outcomes this budget is expected to deliver for London.

Recommendation 13

The Mayor should conduct an urgent review of the performance of the GLA's existing programmes to assess whether they are delivering the desired outcomes, and publish KPIs for 2018-19 alongside his final budget.

London and Partners

8.30 We are concerned that the Mayor is proposing to allocate London and Partners (L&P) nearly £2 million in additional funding in 2018-19 despite the lack of a business plan or strategy document by which L&P can be judged. In March 2017, L&P was exempt from having to produce a full business plan or

three-year strategy on the grounds that the GLA had only just completed its review of the organisation and that L&P did not have a Chief Executive at the time.[125] The 2016-17 budget was rolled forward for 2017-18, and L&P committed to producing a full Business Plan and three-year strategy to inform the 2018-19 budget process.

8.31 The Mayor's draft budget still provides L&P with funding despite the lack of these two documents – indeed more funding than last year. The Mayor's draft budget for 2018-19 provides L&P with £13.7 million, compared to £11.9 million in 2017-18. It also proposes to allocate them an additional £1.2 million per year thereafter.

8.32 The Mayor must outline what funding to L&P will deliver in terms of economic outcomes. The Mayor suggests that he has increased L&P's funding in response to the challenges which London currently faces from Brexit. The draft core GLA budget states that L&P must "mitigate against the potential losses by persuading those who have postponed or reconsidered investment that London remains the most viable option for international expansion" but that "currently L&P is not appropriately resourced to do so".[126]

Recommendation 14

The Mayor should publish key performance indicators for London and Partners and a plan for measuring its success. In addition, the Mayor should review the timings of the annual production of London and Partners' business plan so that in future years we can review it alongside our scrutiny of the GLA's budget proposals.

Our approach

The Budget and Performance Committee has held a series of meetings which have helped inform this report. These have included:

13 June 2017 meeting to examine funding for the Metropolitan Police Service. Guests included:

- Sophie Linden, Deputy Mayor for Policing and Crime, MOPAC
- Deputy Commissioner Craig Mackey, Metropolitan Police Service
- Lynda McMullan, Director of Finance and Commercial, Metropolitan Police Service
- Siobhan Peters, Chief Financial Officer, MOPAC

19 July 2017 meeting to discuss funding for the Metropolitan Police Service. The following guests gave evidence:

- Dr Rick Muir, Director, Police Foundation
- Ken Marsh MBE, Chair of the Executive Committee, Police Federation
- Matt Parr CB, Her Majesty's Inspector to the Metropolitan Police Service
- Sara Thornton CBE QPM, Chair of the National Police Chief's Council

Also at the 19 July meeting, the Committee examined the Mayor's Budget Guidance for 2018-19. The following guests gave evidence:

- David Bellamy, Mayor's Chief of Staff
- Martin Clarke, Executive Director – Resources, GLA
- Tom Middleton, Head of Finance & Governance, GLA

28 September 2017 meeting to examine TfL's capital spending and other financial issues. Guests included:

- Simon Kilonback, Interim Chief Finance Officer, TfL
- Tanya Coff, London Underground Finance Director, TfL
- Stuart Harvey, Director for Major Projects, TfL
- Alex Williams, Director for City Planning, TfL
- Andrew Pollins, Transformation Director, TfL

22 November 2017 meeting to assess the Mayor's initial 2018-19 budget proposals for the GLA. The following representatives from the Mayor's Team and the GLA attended:

- David Bellamy, Mayor's Chief of Staff
- Martin Clarke, Executive Director – Resources, GLA
- Fiona Fletcher-Smith, Executive Director of Development, Enterprise and Environment, GLA
- David Lunts, Executive Director of Housing and Land, GLA

This report also builds on the findings from our summer investigation into funding for the Metropolitan Police Service, and our scrutiny of the quarterly monitoring reports of the GLA Group. We have considered LFEPA's, LLDC's and MOPAC's budget submissions, the only budget submissions from the functional bodies which were publicly available at the time of drafting this report.

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[13] Greater London Authority, 2016-17 GLA budget: Appendix 4 Capital Spending Plan

[14] Greater London Authority, Appendix 3: GLA Capital Spending Plan 2018-22

[15] The London Legacy Development Corporation, 2018/19 Budget Submission, November 2017, paragraph 5.12.

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[30] Letter from TfL's Interim Chief Finance Officer at Transport for London, Simon Kilonback, to the Chairman of the Budget and Performance Committee, 13 November 2017.

[31] Transport for London, Covering note to TfL's December 2016 Business Plan, 15 December 2016.

[32] Transport for London Business Plan 2018-19 to 2022-23, page 47.

[33] Deputy Mayor for Transport, Valerie Shawcross, speaking to the Transport Committee, 8 November 2017.

[34] TfL, Draft Business Plan, November 2017, page 30; TfL, Business Plan, December 2016, pages 26 and 35.

[35] Forecasts cover journeys by London Underground, Elizabeth line, buses, TfL Rail, Santander cycle hire, London River Services and Dial-a-Ride.

[36] TfL, Draft Business Plan, November 2017, page 30; TfL, Business Plan, December 2016, page 45.

[37] See Pre-Budget Report 2016, pages 31-32.

[38] TfL, December 2016 Business Plan, page 26.

[39] TfL, Draft Business Plan, November 2017, page 30; TfL, Business Plan, December 2016, page 26

[40] This compares to TfL's revenue budget of around £7 billion a year.

[41] TfL, Draft Business Plan, November 2017, page 31.

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[43] Letter from Mike Brown (TfL Commissioner) to Gareth Bacon, 4 May 2017; 4 January meeting with TfL; 10 January meeting with the Mayor.

[44] Letter from the Transport Commissioner, Mike Brown MVO, to the Chairman of the Budget and Performance Committee, Gareth Bacon AM, 4 May 2017.

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[49] Crossrail 2: a way forward, announcement by Mayor and Transport Secretary, July 2017; PwC, Crossrail 2 funding and financing study, November 2014 (assumes construction will start in 2020, finish in 2030, and that operations will run to 2065).

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[98]The GLA's Executive Director of Development, Enterprise and Environment, Fiona Fletcher-Smith, speaking to Budget and Performance Committee 22 November 2017.

[99] The GLA's Executive Director of Development, Enterprise and Environment, Fiona Fletcher-Smith, speaking to the Budget and Performance Committee, 22 November 2017.

[100] The GLA's Executive Director of Development, Enterprise and Environment, Fiona Fletcher-Smith, speaking to the Budget and Performance Committee, 22 November 2017.

[101] GLA, Old Oak Masterplan, May 2017

[102] Memorandum of Understanding between Secretary of State for Department for Transport and OPDC over the transfer of DfT and Network Rail owned land at Old Oak Common

[103] Mayor's Office, Review of the Old Oak and Park Royal Development, 1 November 2016.

[104] GLA Executive Director for Development, Enterprise and Environment, Fiona Fletcher-Smith, talking to Budget and Performance Committee 22 November 2017.

[105] Budget and Performance Committee, Who's Paying the Bill, 10 October 2017.

[106] Draft GLA budget for 2018-19, 13 November 2017, paragraph 36.

[107] HM Treasury, Autumn Budget 2017, 22 November 2017.

[108] London Councils, London Business Rates Pilot Pool, item 6 to London Councils Leaders Committee, 10 October 2017.

[109] London Councils, London Business Rates Pilot Pool, item 6 to London Councils Leaders Committee, 10 October 2017.

[110] HM Treasury, Autumn Budget 2017, 22 November 2017.

[111] Greater London Authority, GLA Final Consolidated Budget 2017-18, para 2.29.

[112] Mayor's Chief of Staff, David Bellamy, speaking to Budget and Performance Committee 22 November 2017.

[113] Greater London Assembly, Final Consolidated Budget, 2014-15 and 2015-16, section "Meeting Mayor's Funding Commitment to LFEPA in 2015-16.

[114] In our October 2017 report - Who's Paying the Bill – we specifically said that the Mayor "should consider the flexibility of business rates and council tax income and explore whether some could be used to fund the Met."

[115] Mayor of London, Mayor's Budget Guidance for 2017-18, July 2016, page 4.

[116] Confirmed in written correspondence between TfL officials and Committee officers on 28 November 2017.

[117] House of Commons, Police Grant Report England & Wales 2016/17:Written statement - HCWS510, 4 Feb 2016.

[118] The decision to increase the police precept is a change in policy from the previous Mayor. The previous Mayor froze council tax throughout his mayoral term and cut it by 3.24 per cent in his last year as Mayor. The Home Office requires police authorities to increase the police part of council tax by 1.99 per cent increase to keep police funding flat in cash terms.

[119] Part of the Met Police's budget is paid for through council tax. When households in London pay their council tax to the local authority part of this payment is for the GLA. In 2017-18, the GLA part of the average household's council tax bill was £280.02. Of this £280.02, £206.13 was specifically to pay for the Metropolitan Police. The remainder was for

various Mayoral programmes, the London Assembly, the London Fire Brigade, and Transport for London.

[120] Budget and Performance Committee, Pre-Budget Report 2016, page 15.

[121] The Mayor's Budget Guidance for 2018-19, 13 June 2017, page 22.

[122] The Mayor's Budget Guidance for 2018-19, 13 June 2017, page 4. The Mayor is proposing the increase the police precept by 1.99 per cent in 2017-18 which will raise funding for MOPAC. This is discussed in Part 2 of this briefing.

[123] Under Mayor Johnson's administration, the GLA had over 20 KPIs, such reporting on the number of apprenticeship starts, tonnes of CO2 saved as a result of Mayoral energy supply programmes, the number of affordable homes delivered, and the number of Londoners participating in sport or physical activity through the Mayor's sport participation programme.

[124] GLA, Draft core GLA budget for 2018-19, 13 November 2017, paragraph 21.

[125] Mayoral decision, MD2090 London & Partners 2017-18 Business Plan, 15 March 2017

[126] GLA, Draft core GLA budget for 2018-19, 13 November 2017, paragraph 37 and 38.

Other formats and languages

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Chinese

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Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

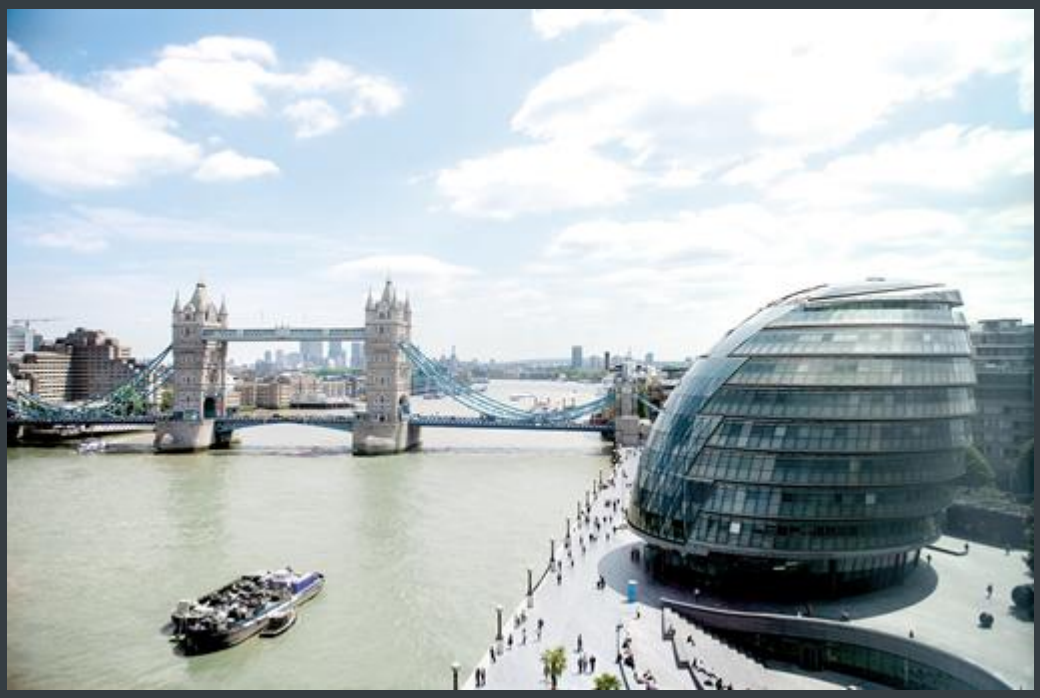
الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.



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