

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2318

**Title: GLA's Financial Outturn for 2017-18**

### Executive summary

This decision form sets out the Greater London Authority's (GLA) Financial Outturn for 2017-18, including details of transfers to and from earmarked reserves and proposals for a number of carry forward items from 2017-18 to 2018-19 for Mayoral approval.

### Decision

That the Mayor:

1. Notes the financial outturn for 2017-18 set out in this decision form, including details of transfers to and from earmarked reserves;
2. Approves the carry forwards from 2017-18 to 2018-19 as set out in this decision form; and
3. Approves the creation of two new earmarked reserves as set out in this decision form.

### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**



**Date:**

27/6/12

## PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

### Decision required – supporting report

#### 1. GLA's Financial Outturn for 2017-18

- 1.1 This decision form sets out the Greater London Authority (GLA) Financial Outturn for 2017-18, including details of transfers to and from earmarked reserves and proposals for a number of carry forward items from 2017-18 to 2018-19 for Mayoral approval, as well as a proposal for two new earmarked reserves.
- 1.2 In terms of financial outturn, the summary position is:
- A revenue underspend of £3.5m on directorates (the comparable figure for 2016-17 was an overspend of £1.7m);
  - An underspend of £4.0m on the New Museum of London (no comparable figure for 2016-17);
  - A revenue underspend of £17.8m on corporate items (the comparable figure for 2016-17 was an underspend of £30.6m); and
  - Capital slippage of £48.8m (the comparable figure for 2016-17 was slippage of £146.0m).
- 1.3 Further detail is included in the appendices to this form. The highlights are summarised below.

#### Revenue

- 1.4 Overall there was a net underspending of £25m against the revenue budget. The most significant elements of this favourable variance were in respect of 'Corporate Items' and include:
- £12m of funding for the LLDC and OPDC being met by the GLA from Business Rates income to meet the full revenue costs of those organisations during the year in question;
  - £5m of unbudgeted government grants received;
  - £3m of additional investment interest generated. This reflects effective cash management within strict risk parameters and includes the benefits of cash pooling arrangements where short-term cash balances are invested through the GLA Group Investment Syndicate ("GIS"), as well as balances invested independently of the GIS which are available for longer term investment; and
  - £5m directorate net underspend, including the release of prior years' provisions.

#### Capital

- 1.5 Overall capital spending equated to 96% delivery against the budget for the year, equating to slippage of £48.8m. The most significant elements of this variance were:
- £28.5m on LLDC mainly in relation to timing differences including the Culture and Education District (CED) and infrastructure works, offset by a rephrasing of forecast philanthropic funding for the CED to future years in line with the revised programme and scope;
  - £9.3m on Housing Zones owing to delays in achieving some of the funding conditions on certain contracts, late budget virement from MRF and one of the counterparties drawing down just after year end; and
  - £8.0m on Growing Places Fund (GPF) mainly owing to delays in a loan (£4m) across three GPF projects paid out in April 2018 and the Southall Big Plan being delayed due to a dispute with third party land owners.

## Reserves

- 1.6 As a result of the financial performance for the year and changes in respect of GLA Group items, there was an increase of £157m in General Fund Reserves from £348m to £505m (comprising a General Fund balance of £10m and earmarked reserves of £495m). The £157m increase arises from specific identified need and principally comprises (with the LLDC Capital Funding Reserve and the New Museum Project Reserve being proposed as additional reserves):
- **Business Rates Reserve (£199m)**, which exists to manage any adverse impact on the GLA's finances following the introduction of the business rate retention scheme from 2013/14 and its volatility due to the level appeals by business ratepayers. In 2017-18, **£85m** was added to this reserve owing to growth in business rates revenue.
  - **LLDC Capital Funding Reserve (£64m)**, which is a new reserve funded by a transfer of an accumulated provision to repay inherited debt from the LDA. This reserve is available to directly fund planned LLDC capital expenditure that is over and above its prudential borrowing limit; and
  - **New Museum Project Reserve (£4m)**, which is a new reserve which represents accumulated GLA financial commitments for the building of the New Museum of London.
- 1.7 Other reserves comprise:
- **Capital Programme Reserve (£63m)**, which provides a source of funding for potential projects which fall outside of the Government funded schemes and avoids the need for further borrowing;
  - **Revenue Grants Unapplied Reserve (£39m)**, which includes grants that have been received in advance of the expenditure being incurred;
  - **Directorate (Programme) (£26m)**, which represents accumulated underspends and the budgets are carried forward to fund projects that have been delayed;
  - **Development Corporations Reserve (£26m)**, which is applied to meet spend in the Mayoral Development Corporations; and
  - **New Homes Bonus LEP Grant Reserve (£11m)** which represents amounts to be spent by London Boroughs on regeneration schemes in future years from a one-off allocation made to the GLA in 2015/16.

## Budget carry forwards

- 1.8 Budget carry forwards presented now for approval comprise £5.7m (revenue) and £22.2m (capital).

## 2. Equality comments

- 2.1 There are no specific equality issues arising.

## 3. Financial comments

- 3.1 Financial issues are integral to this decision form.

#### **4. Legal comments**

- 4.1 Section 127 of the Greater London Authority Act 1999 (the "GLA Act") requires relevant authorities to make arrangements for the proper administration of their financial affairs and to ensure that their chief financial officer has a responsibility for the administration of those affairs. The GLA is a relevant authority under Section 127 and consequently is required to comply with these requirements. The attached report has been prepared for the GLA as part of the chief financial officer making arrangements for the proper administration of the GLA's financial affairs.
- 4.2 The approval of the transfers to and from the earmarked reserves as set out in the report is supported by Section 34 of the GLA Act which allows the Authority, acting by the Mayor, to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any functions of the Authority exercisable by the Mayor.

#### **Supporting papers:**

- Appendix 1: Revenue Outturn 2017-18
- Appendix 2: Capital Outturn 2017-18
- Appendix 3: Carry Forward Approvals from 2017-18 to 2018-19.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

**Part 1 Deferral:**

**Is the publication of Part 1 of this approval to be deferred? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

**Is there a part 2 form? NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to  
confirm the  
following (✓)

**Drafting officer:**

Tom Middleton has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Sponsoring Director:**

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

David Bellamy has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

This decision was considered by the Corporate Investment Board on 25 June 2018.

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**

*M. J. Bellamy*

**Date**

*25.6.18*

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

*D. Bellamy*

**Date**

*25/6/2018.*

