Annex

Greater London Authority Financial Outturn 2015-16

Contents

Background

1.1. This report provides details of the Greater London Authority's (GLA) financial outturn for 2015-16, including requests for budget carry forwards from 2015-16 to 2016-17.

2. Final financial position

2.1. The overall revenue and capital outturn positions are shown below.

	Annual Budget £m	Outturn £m	Variance £m
Revenue: directorates	128.2	97.4	(30.8)
Revenue: corporate items	118.5	51.1	(67.4)
Change in reserves	(15.2)	83.0	(98.2)
Capital	1,085.2	697.7	(387.5)

2.2. A more detailed breakdown of the above can be found at Appendices 1 and 2.

Revenue: directorates

2.3. The net revenue outturn for 2015-16 was an underspend of £30.8m against its revenue budget. Of this favourable variance, £27.8m is in respect of programmes/projects for which there are budget carry forward requests (see section 3 below), leaving a residual underspend of £3m due to a combination of relatively small under and over spends.

Revenue: corporate items

2.4. On corporate items there was a favourable variance of £67.4m which would reduce marginally to £65.9m if budget carry forward requests were agreed (see section 3 below). The most significant elements of this variance are summarised below.

	Variance £m	Commentary
New Homes Bonus	(£41.8m)	This represents a one-off allocation made to the GLA in 2015/16 whereas amounts to be spent by London Boroughs on regeneration schemes were in majority to take place over two years. At the time of budgeting, the profiling of the individual 119 borough projects was unknown, so the £70m was included in the 2015-16 budget with an expectation of carry-forward.
GLAP recharges	(£13.9m)	This represents recharges to GLAP in respect of interest on loans made to GLAP (£10m) and cost of staffing and other shared services provided by the GLA (£3.9m). The GLA had not budgeted for the recovery of these amounts in 2015-16 because of past accumulated losses in GLAP. However, GLAP now has an accumulative surplus of £42.5m and budgeting arrangements will be reviewed.
Business rates retention levy	(£9.0m)	Due to the level of business rates collected by the London Boroughs the GLA did not have to make a levy payment on growth in 2015-16. This was not confirmed

		until returns from the boroughs were received after the year-end.
Interest receivable	(£5.2m)	This reflects effective cash management and within strict risk parameters an increased rate of return due to the use of new investment opportunities, cash pooling arrangements as well as payment of government grants in advance.
Government grants	(£3.2m)	This represents additional government grant received during the year.
LLDC	£9.5m	This is in respect of expenditure incurred by the LLDC which it had budgeted for it to be met from its reserve carried forward from the previous financial year. This reserve is held by the GLA and due to timing it was not reflected in the original GLA budget, as this was set before the level of LLDC reserves to be carried forward was known after the year-end.

Change in reserves

2.5. As a consequence of the overall revenue outturn covered above, instead of drawing £15.2m net from reserves to support the approved budget for 2015-16, there was a contribution of £83m to reserves. This is a favourable variance of £98.2m.

2.6. After accounting for grants received in advance for future years and for business rates, overall there is an increase of £136.3m in earmarked reserves from £275.8m to £412.1m as shown in the table below.

	Balance at 1 April 2015 £000	Transfers In £000	Transfers Out £000	Balance at 31 March 2016 £000
Assembly Development & Resettlement	1,478	344	-	**1,822**
City Hall Lease Smoothing	3,090	234	(55)	**3,269**
Compulsory Purchase Orders	1,769	-	(392)	**1,377**
Development	2,000	1,000	-	**3,000**
Development Corporations	41,924	-	(7,771)	**34,153**
Directorate (Programme reserve)	31,304	25,586	(37,829)	**19,061**
Election	10,123	9,515	(6,500)	**13,138**
Environment Drainage	534	386	(534)	**386**
Estates	4,130	-	(194)	**3,936**
Legal Fees	700	-	-	**700**
London and Partners	2,245	-	-	**2,245**
Major Events	13,500	-	-	**13,500**
Mayoral Resettlement	77	-	-	**77**
NDR Backdated Appeals Spreading	45,062	-	(15,021)	**30,041**
New Homes Bonus LEP grant reserve	-	32,029	-	**32,029**
Planning Smoothing	833	-	(607)	**226**
Pre-Application Planning	165	458	(136)	**487**
RCGF Interest	2,006	955	(845)	**2,116**
Resilience	59,354	137,221	(199)	**196,376**
Revenue Grants Unapplied	54,498	42,953	(44,289)	**53,162**
Self Insurance Fund	1,000	-	-	**1,000**
Total Earmarked Reserves	**275,792**	**250,681**	**(114,372)**	**412,101**

Capital

2.7. The outturn position of a net underspend of £387.5m on the Capital Spending Plan reflects significant areas of slippage. The most significant elements of this variance are summarised below.

	Variance £m	**Commentary**
Affordable Housing Programme	(£247.0m)	The variance in the delivery profile is due to the cyclical nature of Government spending review periods (2011-15 and 2015-18) where housing delivery is back loaded to the final year of the programme and therefore 2014-15 saw a higher volume of delivery than the first year of the new 2015-18 spending review period.
London Housing Bank	(£100.0m)	The variance is due to the programme gearing up for delivery – including intensive due diligence – as well as lower take-up than anticipated for this loan product. This is a repayable loan fund from DCLG to deliver "affordable rent to buy". Outturn for 15-16 was nil and demand has been lower than expected. Only one project is currently formally approved.
Growing Places Fund	(£52.0m)	The fund was received in one year, for spend to be profiled across several financial years. It was not, at that stage, profiled in accordance to spend because the various projects it supports were going through approval and due diligence. Spend profiling will be reviewed within the Quarter 1 report (in July) to ensure it now matches approved projects. Some £5m capital remains to be allocated
Northern Line Extension	(£32.0m)	The GLA is committed to borrow up to £1bn to finance the NLE and rather than borrowing by more conventional means the GLA issued an index-linked bond of £200m and has arranged a facility of £480m with the European Investment Bank to help finance the commitment to the NLE. It is estimated that this could save the GLA some £61m over the period of the loans. The GLA will determine its strategy for borrowing the balance of its commitment to the NLE early in 2016/17. The underspend reflects slippage in TfL's expenditure on the NLE.
Housing Zones	(£40.0m)	The variance is due to the programme gearing up for delivery and the longer than expected time required for proper due diligence. For the vast majority of interventions due diligence is still taking place and commitments have not yet been entered into. The 2015-16 yearly budget allocation could not reflect the actual investments, as they were yet to be approved. Profiling will need to be reviewed as and when specific interventions are confirmed.
New Homes Bonus	(£26.8m)	This represents a one-off allocation made to the GLA in 2015/16 whereas amounts to be spent by London Boroughs on regeneration schemes that will in majority

		take place over two years. At the time of budgeting, the profiling of the individual 119 projects delivered by the boroughs was unknown.
FE Capital	(£20.4m)	The variance is linked to the delays in government funding being formally confirmed which in turn slowed down the grant process. Funding was allocated to support the modernisation of London's FE Capital estates, and the budget matched the income received from government rather than the forecast spend of the building projects. A number of bidding rounds took place over the past year. Funding will be profiled in accordance with the interventions (a vast majority are now approved) within the Quarter 1 report (in July).
Land Acquisitions	(£20.0m)	The £20m fund was set up to acquire a number of sites to deliver housing. Negotiations progressed but have taken longer than expected, which explains the variance. Spend is now expected in 2016-17.
Mayor’s Regeneration Fund	(£16.5m)	Funds were allocated in 2011 post riots and expenditure is profiled to 2021. The large carry-forwards reflect a number of delays in Croydon and Haringey, mostly linked to the necessity to ensure the interventions are compatible with the future plans of Westfield (in Croydon) and the Stadium (in Haringey).
Homelessness Change	(£15.0m)	The variance is due to an original profiling that could not take account of the proposed delivery – as bidding rounds had not yet taken place. Funding was allocated via bidding rounds in 2015-16 and spend will now need to be profiled in accordance with the approved bids.
Crossrail	£113.7m	The variance reflects the payments to TfL funded by temporary borrowing in 2014-15. The GLA has concluded its borrowing and has started to repay its Crossrail debt and anticipates this will be fully immunised by the early 2030s.
LLDC	£101m	The GLA provided the LLDC with a loan of £101m to support its investment in the short and medium term in residential schemes, social and transport infrastructure and the Culture and Education District programme. This loan is to be repaid from capital receipts the LLDC expect to generate over the next 25 years.

2.8. As shown above, the profiling of capital budgets to better reflect anticipated delivery remains an issue and it is intended to review the profile for 2016-17 as part of the financial monitoring for the first quarter of the year and when firm commitments are entered into.

3. Budget carry forwards

3.1. The total amounts of budget carry forward requests is summarised below.

	Budget carry forwards £m
Revenue	29.2
Capital	546.0

3.2. Following examination by the finance and governance teams within the GLA, and a review and discussion involving Executive Directors, the Mayor's Chief of Staff and Director of Policy, Appendix 3 sets out the budget carry forwards recommended for approval as approvals to spend are in place and, so far as relevant, they are approved items, contractual commitments, funded from ring-fenced income sources and/or agreed continuing policy priorities.

3.3. All other carry-forward requests will be subject to further review.

4. Other significant balance sheet movements

Provisions

4.1. As at 31 March 2016, the GLA's balance sheet includes provisions totalling £191m of which £186m is for non-domestic (business) rates appeals. This is in respect of the GLA's share of billing authorities' estimates of the provision required for potential refunds relating to retrospective alterations to the rating list under the business rates retention scheme. The provision for appeals has increased by £23m compared to 2014-15.

General Fund Balance

4.2. As at 31 March 2016, the GLA's General Fund Balance was £58.6m. This is unchanged from the start of the year.

4.3. Of this, approximately £10m is held for the GLA providing a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing and a longstop contingency to cushion the impact of unexpected events or emergencies.

4.4. A further £7.5m relates to principal tax risks for GLAP at the 31 March 2016 and the remaining £41.1m arises from capital receipts arising from the sale of land within GLAP. In accounting terms, there is no differentiation in GLAP between revenue and capital. The impact of this is that 'capital' receipts in GLAP have covered revenue costs for which the GLA already had budgeted for and any surplus becomes a profit in GLAP, which over time, can be used to meet future capital obligations.

4.5. The level of the general reserve will reviewed during the year in light of the GLAP position and the strategic, operational and financial risks (both internal and external) to which the GLA exposed. The review will take into account the long-term capital forecasting of combined funding requirements and income streams in respect of the

GLA, GLAP, LLDC and OPDC, as well as currently unfunded potential commitments in respect of the Royal Docks Enterprise Zone and the Museum of London.

5. Performance

5.1. Information on the full range of activities carried out by the GLA (and GLAP) in the final year of the previous mayoralty has been published in the Mayor's Annual Report for 2015-16. A set of 23 key performance indicators was monitored in order to assess corporate performance against the former mayor's priorities. Performance has been published on a quarterly basis and the key points with regards to the year-end are as follows:

- It is estimated that at least 220,000 jobs (against a target of 200,000) were created and supported by GLA Group activity between 2012 and 2016, including over 40,000 in 2015-16;

- There have been 162,700 apprenticeship starts in London in the period May 2012 to January 2016, and 243,940 starts since the apprenticeship campaign began in autumn 2010. The target of 250,000 apprenticeships was not reached;

- 4,881 affordable homes were delivered last year with support from the GLA. This number is lower than in previous years but did allow the GLA to deliver its target of 100,000 homes across two mayoral terms (100,542 actuals);

- The target to release 65 hectares of land for housing and development was not achieved (at 57 hectares) because of delays in getting into contract for a number of sites (Floating Village, Lion Green Road, Branch Road, Gooseley Lane and the re-profile of the Royal Albert Basin sites Gallions 4 and Gallions 3B). These are expected to be finalised during 2016-17;

- Amongst the retrofit programmes, performance on energy supply projects (Combined Heat and Power) was in line with forecast (6,359 tonnes of CO_2 against an annual target of a 6,169) as was commercial retrofit activity (RE:FIT saved 30,600 tonnes of CO_2 against 30,000). The homes retrofit programme however fell short of the target (13,647 tonnes of CO_2 achieved against a target of 36,000) reflecting challenging market conditions, including significant reductions in the government's funding for its energy efficiency schemes and stopping of funding for its Green Deal Finance Company, which was set up to lend money under its Green Deal and associate funding schemes;

- The quarterly target of 90 per cent of rough sleepers seen by the No Second Night Out programme not spending a second night out in the same quarter was achieved, with an average quarterly performance of 92 per cent;

- The target of 250 employers signed up to the London Living Wage was exceeded with 863 signed up as at March 2016. This count includes only those employers with offices in London who are fully accredited with the Living Wage Foundation. It covers all sectors (public, private and third sector). It excludes businesses that may pay the living wage but are not accredited;

- Having improved or created 80,000 square meters of public realm last year and 32,000 square meters in 2013/14, GLA set a target of 49,887 for 2015/16. Only

45,000 were achieved as some programmes suffered slippage. The full complement is expected to be delivered by the end of 2016/17;

- Five green spaces were transformed last year with investment supporting recreation, access and biodiversity: the Duke's River Link in Richmond, the Firs Farm Wetlands in Enfield, the Roding Valley in Redbridge, the restored Stanmore Marsh in Harrow and the Wetlands to Wetlands Greenway in Hackney. The Greenwich Thames Path transformation in Greenwich and the access to Wandle Park in Croydon were delayed but are forecast to be completed in the summer 2016;

- The target for 100,000 volunteering opportunities to be taken-up during the period 2013-16 was exceeded by the year-end at 144,000. Similarly, the Sports participation programme which aimed to get 62,000 Londoners participate in physical activities over the period 2013-16 achieved 77,000;

- The annual target of supporting 820 schools to improve their practice and teaching was exceeded. The London Curriculum project supported 482 schools, the London Schools Excellence strands an additional 821 and a further 36 schools benefited from the Gold Club seminar programme;

- Against a corporate target to pay 90 per cent of all small and medium-sized enterprises within 10 days, the GLA achieved 93.4 per cent. Performance has been relatively consistent across years and across quarters; and

- Performance in terms of responding to public enquiries within 20 days fell just short of the target (89 per cent of cases against a 90 per cent desired level).