Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2018-19

PART 1

Summary

This report presents the Mayor's Final Draft Budget proposals for the Greater London Authority (GLA) and its functional bodies for the next financial year. This is the Final Draft Budget and it will be the GLA's Group's budget and consolidated council tax requirement for 2018-19 unless the Assembly amends it in accordance with the provisions of the GLA Act before 28 February.

1 Introduction

1.1 The budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act").

1.2 The Mayor is required to determine consolidated and component council tax requirements for 2018-19 and it is these that the Assembly has the power to amend. The Assembly's role is to scrutinise the budgeting decisions of the Mayor, to consider whether to approve the Mayor's draft consolidated and final draft budgets (with or without amendments), and to set a budget in the event that the Mayor does not do so in the required time. The Mayor and the Assembly must secure a financially balanced budget, with a fair and reasonable balance between the discharge of statutory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost.

1.3 The individual Mayor, Assembly and functional body council tax requirements are aggregated to form the consolidated council tax requirement for the GLA Group. This requirement forms the GLA Group precept which is part of the Council Tax bill for households across Greater London collected by the 33 "billing authorities" (the 32 boroughs and City of London Corporation). The arrangements for "Council Tax referenda", in the event that the GLA Group council tax requirement is deemed to be "excessive" under Government rules and the possible impact that would have on the council tax requirement setting process, are set out in section 5 of Part III of this Budget document.

1.4 The Mayor and the Assembly have a duty to prepare and approve for each financial year a "component" budget for each of the seven "constituent bodies" within the GLA Group (that is, the Assembly, the Mayor, and each of the five functional bodies[1]) and a "consolidated budget" for the GLA for the GLA Group.

[1] These are (1) the London Fire Commissioner (LFC), (2) the London Legacy Development Corporation (LLDC), (3) Mayor's Office for Policing and Crime (MOPAC), (4) the Old Oak and Park Royal Development Corporation (OPDC) and (5) Transport for London (TfL).

- A "component budget" is defined as consisting of a statement of the amount of component council tax requirements for the constituent body concerned by applying "statutory calculations" under section 85(4) to (8) of the GLA Act which give rise to this amount.

- A "consolidated budget" must consist of statements of the amount of the GLA's consolidated council tax requirement for the GLA Group, being the aggregate of the amount of the component council tax requirements for each constituent body.

- "Draft Budget" refers to the initial "Draft Consolidated Budget" which is the first stage budget document and may be amended at the first Assembly budget meeting by a simple majority of votes cast (absentees and abstentions not counted).

- "Final Draft Budget" refers to the second stage budget which becomes the GLA's consolidated council tax requirement for the GLA Group for 2018-19 and may be amended by the at the second Assembly budget meeting by a two-thirds majority of votes cast (absentees and abstentions not counted).

1.5 Further details on the Assembly's powers to amend the Mayor's council tax requirement for the Assembly can be found in section 7 of Part III to this budget.

1.6 The Policing and Crime Act 2017, which received Royal Assent on 31 January 2017, abolishes the London Fire and Emergency Planning Authority (LFEPA) and establishes the London Fire Commissioner (LFC) as a corporate body and new functional body. The necessary statutory transfer schemes and consequential orders have been approved by Parliament and the office of the London Fire Commissioner (LFC) and will come into effect on 1 April 2018. In accordance with this expectation the Mayor has set a component budget in the name of the LFC for 2018-9.

1.7 A summarised version of the statutory budget process for 2018-19 is set out in the table overleaf. The Final Draft Budget for 2018-19 laid before the Assembly is not the same as the draft budget considered and approved on 25 January 2018. The reasons for the changes are set out in sections 4 and 5 below. Appendix K of Part 2 also sets out a high-level summary of material changes compared to the draft budget.

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

Budget process	
(a)	The Mayor must prepare for each financial year a budget for each of the seven constituent bodies and a consolidated budget for the GLA Group as a whole (this is the GLA consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies.
(b)	Before arriving at the final version of the budget, a "draft component budget" for each component body will be the subject of consultation with the constituent bodies. Letters from the Mayor fulfilling this requirement were sent to MOPAC, LFEPA, TfL, OPDC and LLDC on 25 October 2017. The Assembly set out its proposals for the GLA: Assembly budget on 11 October 2017 and was consulted on the Mayor's draft proposed GLA: Mayor budget on 22 November 2017.
(c)	After preparation of and consultation on those drafts, the Mayor is required to prepare a draft of his proposed full consolidated budget for consultation with the Assembly. The Assembly had resolved that the Mayor should consult its Budget and Performance Committee. Such consultation has occurred and the Committee considered that document on 3, 4 and 9 January 2018. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This has also occurred (see paragraph 3.1).
Draft budget stage	
(d)	The Mayor then determines a "draft consolidated budget" (which contains draft component budgets for the seven bodies) publishes it and presents it to the Assembly at a public meeting. This occurred on 25 January 2018. The Assembly was deemed to have approved this budget without amendment.
Final budget stage	
(e)	The Mayor then prepares and publishes a final draft of his proposed consolidated budget ("final draft budget") for the next financial year. If the published final draft budget does not incorporate any amendments made by the Assembly at the previous stage, or is otherwise different to the previous draft consolidated budget, the Mayor must lay a written statement before the Assembly giving reasons.
(f)	The final draft budget must be considered at a public meeting of the Assembly and approved with or without amendment before the last day of February. Any amendment must at this stage be agreed by at least two thirds of the Assembly Members voting. If no amendments are made then the final draft budget is deemed by law to have been approved without amendment. The resulting budget will be the approved consolidated budget for the financial year 2018-19.

2 Final Local Government Finance Settlement

2.1 The Government's Final Local Government Finance Settlement for 2018-19 and the local government "Excessiveness Principles" for 2018-19 for the GLA, that confirm increases deemed excessive for the purposes of the council tax referenda legislation, were published on 6 February 2018 and formally approved by the House of Commons on 7 February 2018. Further information regarding the excessiveness principles is at paragraph 6.2 below.

2.2 Therefore, the grant settlement figures set out in Part II of this Final Draft Budget reflect the Final Local Government Finance settlement for the GLA and also the Final Police Settlement published on 31 January 2018. The 2018-19 Police Grant report for England and Wales was also approved by the House of Commons on 7 February 2018.

3 Final Draft Budget Proposals

3.1 The Final Draft Budget reaffirms the Mayor's proposed increase in the Band D council tax of 5.1 per cent from £280.02 to £294.23 in 2018-19. This means the police element of the precept will increase by 5.8 per cent from £206.13 to £218.13 in line with the assumptions for English police forces set out in the Home Office settlement for policing. The precept for taxpayers in the Corporation of London area which has its own police force increases by 2.99 per cent from £73.89 to £76.10.

4 Impact of Updated Council Tax and Business Rates Retention Forecasts for 2017-18 and 2018-19 Provided by the 33 London Billing Authorities

Introduction

4.1 Set out below are details of the impact of the billing authorities' returns on the GLA's Council Tax, Retained Business Rates and income from the new London-wide 'pooling' arrangements.

Council Tax

4.2 The draft budget assumed that there would be a 2 per cent overall growth in the London-wide council tax base in 2018-19. Based on the approved figures reported to the GLA there is a 2.4 per cent increase in the aggregate council tax base for tax setting purposes for the 33 billing authorities in 2018-19. As a result of this higher than forecast tax base growth the Mayor's proposed Band D council tax precept of £294.23 will yield £3.1 million of additional precept income in 2018-19 compared to the figures assumed in the draft budget. This increase can be assumed to be ongoing.

4.3 In addition, the GLA's share of billing authorities' estimated collection fund surpluses at 31 March 2018 in respect of council tax is £23.9 million. This is some £3.9 million higher than the £20m figure assumed in the draft Budget. This increase should be assumed to be one-off.

Retained Business Rates

4.4 The draft budget assumed that there would be a balanced collection fund position in respect of retained business rates in 2018-19, after making a one-off committed payment to TfL of £75 million. However, based on the 33 billing authorities' returns the GLA's share of the overall net estimated collection fund surplus at 31 March 2018 in respect of business rates is £74 million. This markedly improved position is primarily due to the City of Westminster reporting an estimated surplus of £77 million. This increase should be assumed to be one-off and not recurring as any additional growth arising from these surpluses will have been built into the forecasts for 2018-19 income.

4.5 There has also been a material increase in estimated business rate income for 2018-19 across the majority of the 33 billing authorities in London based on their January 2018 returns, compared to the aggregate assumptions made in the draft budget which was published before these became available. The effect of this is that the GLA's share of forecast business rates income in 2018-19 is £211.4 million greater than assumed in the draft budget of which £137.6 million relates to 2018-19 revenues and £73.8 million relates to the one off estimated net collection fund surplus at 31 March 2018 in respect of 2017-18 and prior years.

4.6 This change reflects revised assumptions on appeals provisions, updated data on the impact of the 2017 revaluation and changes in assumed section 31 grant income for Government funded reliefs such as the cost of reducing the National Non-Domestic Rating multiplier uplift from RPI to CPI from 1 April 2018 and the impact of higher compensation for the doubling of the small business rate relief thresholds on 1 April 2017 due to a revised Government methodology, as well as net growth in the overall taxbase. The impact of the substantial number of appeals currently in the system, and the new appeals system that has been introduced but which has yet to bed in, mean that there is some inevitable uncertainty as to whether these forecasts will actually be achieved or exceeded in the 2018-19 outturn data which will not be available until May 2019.

4.7 Presently it is difficult to forecast the likely level or range of levels of additional business rates income which should accrue in future years from the billing authorities' forecasts for 2018-19 (as noted above, actual figures will not be known until May 2019). The amount of business rates which can be retained due to growth will be reset for 2020-21 and will reflect an expected Comprehensive Spending Review during 2019 and the outcome of the Government's fair funding review for local government, expected to be implemented in 2020-21. Recognising that it will be necessary to revisit any forecast during each annual budget cycle, the Executive Director of Resources' judgement is that £56 million in 2018-19, uprated by 0.7 per cent each year, could reasonably be considered to be an ongoing additional annual resource in future years. That is not to say that a greater amount might not be recurring, but as the amount is uncertain a higher estimate would increase the financial risk to future budget plans. Accordingly, the Executive Director of Resources considers the estimate of £56m to be prudent.

New London-wide 'pooling' arrangements

4.8 Details of the new London-wide 'pooling' arrangements are described in Appendix I of Part II of this final budget. The Mayor's draft budget estimated that the GLA's share of the additional growth arising from the creation of the 'pool' would be £64.8m in 2018-19. This was based on an overall forecast made by London Councils which took into account updated information from those boroughs which could provide revised information last summer. Now that all boroughs have updated their returns, the GLA's share of growth from the 'pool' in 2018-19 is forecast to be £113.6m in 2018-19. This sum is assumed to be a one-off as the Memorandum of Understanding governing the pilot agreed with the Government is for one year only and will take a positive decision by the Government to renew.

Business Rates Reserve

4.9 As set out above, there is great uncertainty over the business rates forecasts. The GLA holds a Business Rates Reserve estimated to total £188.2 million as at 31 March 2018 to manage business rates income risk. This figure represents around 6 per cent of the GLA's estimated business rates income in 2018-19 gross of the tariff payment to Government. With the new 'pooling' arrangements there is a more generous safety net threshold which would imply a reduction in the level of this reserve. However, there are number of risks and uncertainties:

- the 'pool' pilot is not guaranteed to continue beyond 2018-19;
- the Government has only committed to implementing 75 per cent retention nationally from April 2020;
- there is ongoing uncertainty around the impact of the new appeals process introduced in April 2017 (as well as a significant backlog of more than 50,000 unresolved appeals in the old 2010 rating list); and
- the increased business rates income is at this stage based on forecasts.

Taking these risks and uncertainties into account, the Executive Director of Resources advises that it would be appropriate to maintain the Business Rates Reserve at its existing level.

Summary

4.10 Set out overleaf is a summary of the additional council tax and business rates income available in 2018-19. As outlined above, the increased sums available represent unexpectedly strong statutory returns from billing authorities for business rates income, with one authority declaring a business rates collection fund surplus for 2017-18 for the GLA of £77 million, which accounts for the large collection fund surplus receivable by the GLA. The assumed on-going additional business rates income is just under 2 per cent of the total business received by the GLA. Once billing authorities' returns for 2018-19 are fully analysed the Mayor will review his forecasts of future years business rates income prior to publishing his 2019-20 Budget Guidance, to be issued in summer 2018.

Additional Council tax and Business Rates Income Available in 2018-19

Detail	2018-19 (£m)
Council Tax:	
Ongoing	3.1
One-off	3.9
Business Rates:	
Ongoing	56.4
One-off	155.0
Strategic Investment Projects	48.8
Total	267.3

5 Budget proposals

5.1 Set out in the Table overleaf is a summary of how the Mayor proposes to allocate the additional council tax and business rates income described above. Details of each funding proposal are then described together with other significant changes to budget proposals for each member of the GLA Group.

Mayor of London

5.2 The Mayor intends in accordance with the Memorandum of Understanding agreed with the Government and London's local authorities to allocate the forecast business rates growth from the 'pool' of £113.6 million to strategic investment projects. In addition, he has increased this allocation by £26.4 million to create a fund of £140 million. He is inviting expressions of interest from across the Group to make bids against this resource with the principal aim of supporting London's economic growth. A deadline for expressions of interest has been set with a view to the Mayor making decisions on which projects to support in May 2018.

5.3 The Cultural and Education District in the Queen Elizabeth Olympic Park will bring together world class cultural and educational institutions. LLDC is in detailed negotiations with an additional public sector partner to enhance the cultural offer and the additional business rates available gives a one-off opportunity to provide funding of £47 million to deliver this opportunity, to be repaid by the proposed partner in later years.

Proposed allocation of 2018-19 additional council tax and business rates income in 2018-19 and 2019-20 to GLA and functional bodies compared to draft budget

Detail	2018-19 (£m)	2019-20 (£m)
GLA:		
Strategic Investment Projects [1]	75.2	0.0
Cultural Education District (CED) public sector partner funding	47.0	0.0
Young Londoners Fund	15.0	15.0[2]
Other Projects	27.4	0.8[3]
GLA sub-total	164.6	15.8
MOPAC:		
Additional police officers	5.0	59.3[4]
Revenue contribution to capital investment	55.0	0.0
Other projects	3.1	0.0[5]
MOPAC sub-total	63.1	59.3
LFC:		
Southwark Fire Station[6]	5.9	5.9
TfL:		
Local Implementation Plans (LIPs)	11.6	0.0
Bus Driver Toilets	6.0	0.0
Intra- Group shared services adjustment	0.2	0.0
TfL sub-total	17.8	0.0

1 The Mayor's draft budget reported an estimate of £64.8 million for the strategic investment projects. The additional £75.2 million comprises a further £48.8 million arising directly from the GLA's estimated £113.6 million share of the additional income arising from the London 100 per cent retention pilot, topped up by an additional £26.4 million of business rates income by the Mayor, providing for a total of £140 million for strategic investment projects.

2 The Young Londoners Support Fund continues into 2020-21 at £15 million.

3 GLA: Other Projects includes ongoing provision for GLA pay awards.

4 The provision of £59.3 million continues in later years.

5 A £3.3 million provision for mental health work in 2019-20 and later years is financed from the full year capital financing cost savings arising from the revenue contribution to capital investment of £55 million in 2018-19.

6 The £11.7 million funding in relation to Southwark Fire Station will be made from 2018-19 business rates income but is currently forecast to be used over two years. This is reflected in the LFC's capital spending plan.

5.4 In his draft budget the Mayor set out that he would provide further support for projects assisting young people, recognising both the impact of Government austerity measures on them and the role such interventions can play in tackling knife crime and addressing mental health problems. The Mayor now intends to create a £45 million fund, supporting both community projects and the scaling-up of successful GLA Group initiatives. It is intended that this would allow a £15 million per annum programme for the next three years.

5.5 The Mayor has also made provision for other projects of £27.4 million in 2018-19 which includes:

- a top up of the GLA's Capital Project Reserve of £8.8 million for use on Mayoral priorities, plans for which are being developed given the planned drawdown of this reserve in 2017-18 and facilitating the undertaking of capital / revenue swaps;
- an additional £6 million for environmental projects, including further action on air quality, single-use plastics and additional funding for green space and trees;
- a top-up of the GLA Major Events Reserve of £5 million following the 2017 Athletics championships and London's successful bid to host additional Euro 2020 matches;
- an overall provision of £4.4 million to support costs associated with adult education devolution, to support further collaboration initiatives across the Group and future GLA pay awards;
- £1.3 million for a Homelessness Mental Health Pilot;
- £1 million to boost the London Borough of Culture programme, together with £0.1 million for a Culture and Dementia pilot;
- £0.5 million for Economic Fairness;
- £0.2 million for a EU citizens on-line advice service; and
- £0.2 million for childcare rights publicity and further research.

5.6 The GLA's Capital Spending Plan has been updated for latest forecasts and shows spend being brought forward in 2017-18 and 2018-19 from figures in the draft Budget. This reflects higher forecast spend on the Affordable Housing Programme after allowing for slippage on other GLA capital projects.

Mayor's Office for Policing and Crime (MOPAC)

5.7 Keeping Londoners safe is the Mayor's top priority and from 2019-20 he will invest at least an additional £59 million annually to support an extra 1,000 police officers than would otherwise be affordable by taking an unprecedented step change in the scale of use of income raised from business rates for policing. Given the time lag needed to recruit new officers, £5 million is the maximum additional funds the Metropolitan Police Service (the 'Met') can spend on extra officers and recruitment in 2018-19. Work will be done to speed the recruitment process in time for 2019-20.

5.8 The Mayor is therefore providing £55 million to MOPAC in 2018-19 to reduce their previously planned borrowing for capital projects. This will lead to an annual saving in MOPAC's capital financing costs of £3.3 million in 2019-20 and future years. This saving will allow on-going support for the Met's mental health work in 2019-20 and later years. For 2018-19 the Mayor is supporting three additional projects from one-off allocations of retained business rates: £2.1 million for Mental Health, £0.6 million for Violence Against Women and Girls and Female Genital Mutilation campaigns and £0.4 million to fund a new Countering Violent Extremism programme.

London Fire Commissioner (LFC)

5.9 LFC's savings to be required in future years has been reduced from £12.4 million to £12 million compared with the draft budget assumptions to reflect latest forecasts made by LFEPA.

5.10 The London Borough of Southwark has granted planning permission for a scheme on the site of the former fire station at Southwark – including a much-needed secondary school in the northern part of the Borough – put forward by the developer Hadston. This scheme supports a purchase price of £42.3 million. In addition, Hadston has agreed to fund £13.9 million of affordable housing provision, resulting in an overall capital payment £2.1 million in excess of the original purchase price agreed by the previous Mayor, which did not provide for any affordable housing.

5.11 The purchase price payable to LFEPA for this scheme represents a capital receipt which is £11.7 million less than previously expected. The GLA will ensure that LFC is not financially disadvantaged by this revised deal in the medium term by providing temporary funding from business rates for the difference. This is pending the capital receipt which LFC will potentially receive for its former headquarters building at Albert Embankment which is not currently shown in LFC's capital spending plan. If that receipt arises, and matches or exceeds £11.7 million, then LFC will not emerge at a financial disadvantage from these sales of its estate in the current four-year budget period. Were the Albert Embankment receipt not to arise, then the GLA intends to make the temporary contribution from business rates permanent.

TfL

5.12 In light of representations made by London Boroughs and Assembly Members, the Mayor is allocating an additional £11.6 million to TfL in 2018-19 for boroughs to invest in local projects that support the Healthy Streets Approach set out in the Mayor's Draft Transport Strategy. This additional sum will be spread between the boroughs using the existing needs formula and would equate on average to an additional £350,000 per borough. Plans for future years will be considered as part of TfL's 2018 business planning process. Provision of £6 million to ensure that toilets are available to bus drivers on every route in London is also made. There are also minor adjustments to shared services arrangements between TfL and the GLA Group of £0.2 million.

Future Years

5.13 The Mayor has issued details of the prospects for the GLA Group for future years (Appendices H and I of Part II the final draft budget). It is important to recognise the caveats and limitations set out in this analysis.

6 Council Tax Referendum Issues

6.1 Details of the provisions for the holding of Council Tax referendums are set out in section 5 of Part 3. The local government "Excessiveness Principles" for 2018-19 for the GLA were agreed by Parliament on 7 February 2018.

"Excessiveness "determination

6.2 The Mayor is required to determine whether his Final Draft Budget is "excessive" under the principles determined by Parliament. The Mayor confirms that neither (1) the "adjusted" relevant basic amount of council tax (which applies in the 32 boroughs throughout Greater London outside the City of London), or (2) the "unadjusted" relevant basic amount of council tax (which applies within the area of the City of London only) are excessive for the purposes of the approved local government "Excessiveness Principles" for 2018-19. (For either figure to be regarded as excessive the 32-borough figure would have to increase to £294.24 or above and the City figure to £76.11 or above.)

7 Conclusions

7.1 In considering the Mayor's budget proposals and any amendments they wish to make at this stage, Assembly Members must also consider the need to secure a financially balanced budget and achieve a balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost.

7.2 In commending the budget proposals to the Assembly, the Mayor believes that Londoners recognise and support his plans to increase resources to support policing.

7.3 The Mayor is satisfied that he has weighed respective interests fairly and that his increase in the council tax will help the front-line service delivery of his statutory and discretionary responsibilities. The Mayor believes that the proposals will make a significant contribution to improving Londoners' quality of life and supporting London's economy.

8 Recommendations

8.1 On the basis of the information set out in this statement and accompanying documents, that the Assembly approves, without amendment, the Mayor's Final Draft budget and the consolidated council tax requirement for the GLA and the functional bodies (GLA Group) of £865,678,414 as contained in Annex A.

8.2 The council tax requirement is after applying the GLA's share of the net surplus or deficit on the collection funds of the 33 billing authorities. These are a £23.9 million surplus in respect of council tax and a £73.8 million surplus in respect of retained business rates which fall within the component budget for the Mayor of London for the purpose of these statutory calculations under sections 85 to 88 of the GLA Act.

8.3 This final draft consolidated council tax requirement is made up as set out overleaf:

Constituent body	Component council tax requirement
Mayor of London	£67,658,740
London Assembly	£2,623,300
Mayor's Office for Policing and Crime	£641,371,487
London Fire Commissioner	£148,024,887
Transport for London	£6,000,000
London Legacy Development Corporation	£NIL
Old Oak and Park Royal Development Corporation	£NIL
Total Consolidated Council Tax Requirement	**£865,678,414**

Annex A

Final draft component and consolidated council tax requirements 2018-19

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

Line	Sum	Description
1	£1,259,414,161	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
2	£1,900,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
3	£23,135,933	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
4	£0	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act
5	£1,284,450,094	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Mayor (lines (1) + (2) + (3) + (4) above)
6	-£195,426,350	estimate of the Mayor's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
7	£0	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
8	£0	estimate of the Mayor's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
9	-£905,685,942	estimate of the Mayor's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
10	-£97,752,712	estimate of the Mayor's share of any net collection fund surplus for the 33 London billing authorities in accordance with s85(5)(a) of the GLA Act
11	-£1,198,865,004	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (6) + (7) + (8) + (9) + (10))
12	-£17,926,350	estimate of Mayor's reserves to be used in meeting amounts in line 5 above under s85(5)(b) of the GLA Act
13	-£1,216,791,354	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Mayor (lines (11) + (12) above)
14	£67,658,740	the component council tax requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (13) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the Mayor for 2018-19 is £67,658,740

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

Line	Sum	Description
15	£7,813,742	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the GLA Act
16	£0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the GLA Act
17	£0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the GLA Act
18	£0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the GLA Act
19	£7,813,742	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Assembly (lines (15) + (16) + (17) + (18) above)
20	£0	estimate of the Assembly's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
21	£0	estimate of the Assembly's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
22	£0	estimate of the Assembly's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
23	-£5,190,442	estimate of the Assembly's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
24	£0	estimate of the Assembly's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
25	-£5,190,442	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (line (20) + (21) + (22) + (23) + (24))
26	£0	estimate of Assembly's reserves to be used in meeting amounts in lines 19 above under s85(5)(b) of the GLA Act
27	-£5,190,442	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Assembly (lines (25) + (26) above)
28	£2,623,300	the component council tax requirement for the Assembly (being the amount by which the aggregate at (19) above exceeds the aggregate at (27) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the Assembly for 2018-19 is £2,623,300

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

Line	Sum	Description
29	£3,331,520,194	estimated expenditure of the MOPAC calculated in accordance with s85(4)(a) of the GLA Act
30	£0	estimated allowance for contingencies for the MOPAC under s85(4)(b) of the GLA Act
31	£0	estimated reserves to be raised for meeting future expenditure of the MOPAC under s85(4)(c) of the GLA Act
32	£0	estimate of reserves to meet a revenue account deficit of the MOPAC under s85(4)(d) of the GLA Act
33	£3,331,520,194	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the MOPAC (lines (29) + (30) +(31) + (32) above)
34	-£263,779,807	estimate of the MOPAC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
35	-£423,300,000	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
36	-£1,882,068,900	estimate of the MOPAC's income in respect of general government grants (revenue support grant, core Home Office police grant and principal police formula grant) calculated in accordance with s85(5)(a) of the GLA Act
37	-£92,000,000	estimate of the MOPAC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
38	£0	estimate of MOPAC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
39	-£2,661,148,707	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (34) + (35) + (36) + (37) +(38))
40	-£29,000,000	estimate of MOPAC's reserves to be used in meeting amounts in line 33 above under s85(5)(b) of the GLA Act
41	-£2,690,148,707	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the MOPAC (lines (39) + (40) above)
42	£641,371,487	the component council tax requirement for MOPAC (being the amount by which the aggregate at (33) above exceeds the aggregate at (41) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the MOPAC for 2018-19 is £641,371,487

London Fire Commissioner ("LFC" / "LFEPA") final draft component budget

Line	Sum	Description
43	£435,374,962	estimated expenditure of LFC for the year calculated in accordance with s85(4)(a) of the GLA Act
44	£0	estimated allowance for contingencies for LFC under s85(4)(b) of the GLA Act
45	£374,962	estimated reserves to be raised for meeting future expenditure of LFC under s85(4)(c) of the GLA Act
46	£0	estimate of reserves to meet a revenue account deficit of LFC under s85(4)(d) of the GLA Act
47	£435,749,925	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LFC (lines (43) + (44) + (45) + (46) above)
48	-£36,825,038	estimate of LFC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
49	-£12,200,000	estimate of LFC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
50	£0	estimate of LFC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
51	-£238,700,000	estimate of LFC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
52	£0	estimate of LFC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
53	-£287,725,038	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (48) + (49) + (50) + (51) + (52))
54	£0	estimate of LFC's reserves to be used in meeting amounts in line 47 above under s85(5)(b) of the GLA Act
55	-£287,725,038	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFC (lines (53) + (54) above)
56	£148,024,887	the component council tax requirement for LFC (being the amount by which the aggregate at (47) above exceeds the aggregate at (55) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for LFC / LFEPA for 2018-19 is £148,024,887

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

Line	Sum	Description
57	£7,103,000,000	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the GLA Act
58	£0	estimated allowance for contingencies for TfL under s85(4)(b) of the GLA Act
59	£0	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the GLA Act
60	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the GLA Act
61	£7,103,000,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the TfL (lines (57) + (58) + (59) + (60) above)
62	-£6,100,500,000	estimate of TfL's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
63	-£49,400,000	estimate of TfL's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
64	£0	estimate of TfL's income in respect of general government grants (revenue support grant and GLA Transport General Grant) calculated in accordance with s85(5)(a) of the GLA Act
65	-£947,100,000	estimate of TfL's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
66	£0	estimate of TfL's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
67	-£7,097,000,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act for TfL (lines (62) + (63) + (64) + (65) + (66) above)
68	£0	estimate of TfL's reserves to be used in meeting amounts in line 61 above under s85(5) (b) of the GLA Act
69	-£7,097,000,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act (lines (67) + (68))
70	£6,000,000	the component council tax requirement for TfL (being the amount by which the aggregate at (61) above exceeds the aggregate at (69) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for TfL for 2018-19 is £6,000,000.

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

Line	Sum	Description
71	£39,000,000	estimated expenditure of LLDC for the year calculated in accordance with s85(4)(a) of the GLA Act
72	£0	estimated allowance for contingencies for LLDC under s85(4)(b) of the GLA Act
73	£0	estimated reserves to be raised for meeting future expenditure of LLDC under s85(4)(c) of the GLA Act
74	£0	estimate of reserves to meet a revenue account deficit of LLDC under s85(4)(d) of the GLA Act
75	£39,000,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LLDC (lines (71) + (72) + (73) + (74) above)
76	-£35,400,000	estimate of LLDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
77	£0	estimate of LLDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
78	£0	estimate of LLDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
79	-£3,600,000	estimate of LLDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
80	£0	estimate of LLDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
81	-£39,000,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (76) + (77) + (78) + (79) + (80))
82	£0	estimate of LLDC's reserves to be used in meeting amounts in line 75 above under s85(5)(b) of the GLA Act
83	-£39,000,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LLDC (lines (81) + (82) above)
84	£0	the component council tax requirement for LLDC (being the amount by which the aggregate at (75) above exceeds the aggregate at (83) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the LLDC for 2018-19 is £0 (£NIL).

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

Line	Sum	Description
85	£7,900,000	estimated expenditure of OPDC for the year calculated in accordance with s85(4)(a) of the GLA Act
86	£0	estimated allowance for contingencies for OPDC under s85(4)(b) of the GLA Act
87	£0	estimated reserves to be raised for meeting future expenditure of OPDC under s85(4)(c) of the GLA Act
88	£0	estimate of reserves to meet a revenue account deficit of OPDC under s85(4)(d) of the GLA Act
89	£7,900,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for OPDC (lines (85) + (86) + (87) + (88) above)
90	-£2,800,000	estimate of OPDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
91	£0	estimate of OPDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
92	£0	estimate of OPDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
93	-£5,100,000	estimate of OPDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
94	£0	estimate of OPDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
95	-£7,900,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (90) + (91) + (92) + (93) + (94))
96	£0	estimate of OPDC's reserves to be used in meeting amounts in line 89 above under s85(5)(b) of the GLA Act
97	-£7,900,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for OPDC (lines (95) + (96) above)
98	£0	the component council tax requirement for OPDC (being the amount by which the aggregate at (89) above exceeds the aggregate at (97) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the OPDC for 2018-19 is £0 (£NIL).

Greater London Authority ("GLA") final draft consolidated council tax requirement calculation incorporating the component council tax requirements for the Greater London Authority (Mayor), Greater London Authority (Assembly), the Mayor's Office for Policing and Crime (MOPAC), the London Fire Commissioner (LFC / LFEPA), Transport for London (TfL), the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).

Line	Sum	Description
99	£865,678,414	the GLA's consolidated council tax requirement (the sum of the amounts in lines (14) + (28) + (42) + (56) +(70) +(84) + (98) calculated in accordance with section 85(8) of the GLA Act)

The final draft consolidated council tax requirement for the GLA for 2018-19 is £865,678,414

Annex A

Aggregate GLA Group budget for 2018-19

Estimated Expenditure

£	GLA Mayor	GLA Assembly	MOPAC	LFC / LFEPA	TfL	LLDC	OPDC	Total
Estimated expenditure	£1,259,414,161	£7,813,742	£3,331,520,194	£435,374,962	£7,103,000,000	£39,000,000	£7,900,000	£12,184,023,059
Estimated allowance for contingencies	£1,900,000	£0	£0	£0	£0	£0	£0	£1,900,000
Estimated reserves to be raised for meeting future expenditure	£23,135,933	£0	£0	£374,962	£0	£0	£0	£23,510,895
Estimate of reserves to meet a revenue account deficit including forecast collection fund deficit for retained business rates	£0	£0	£0	£0	£0	£0	£0	£0
Estimated total expenditure	**£1,284,450,094**	**£7,813,742**	**£3,331,520,194**	**£435,749,925**	**£7,103,000,000**	**£39,000,000**	**£7,900,000**	**£12,209,433,955**

Annex A

Estimated Income and Calculation of Council Tax Requirement

£	GLA Mayor	GLA Assembly	MOPAC	LFC / LFEPA	TfL	LLDC	OPDC	Total
Estimate of non-government grant income	-£195,426,350	£0	-£263,779,807	-£36,825,038	-£6,100,500,000	-£35,400,000	-£2,800,000	-£6,634,731,195
Estimate of specific government grant income	£0	£0	-£423,300,000	-£12,200,000	-£49,400,000	£0	£0	-£484,900,000
Estimate of general government grant income	£0	£0	-£1,882,068,900	£0	£0	£0	£0	-£1,882,068,900
Estimate of Retained Business Rates income	-£905,685,942	-£5,190,442	-£92,000,000	-£238,700,000	-£947,100,000	-£3,600,000	-£5,100,000	-£2,197,376,384
Net collection fund surplus	-£97,752,712	£0	£0	£0	£0	£0	£0	-£97,752,712
Estimated total income before use of reserves	**-£1,198,865,004**	**-£5,190,442**	**-£2,661,148,707**	**-£287,725,038**	**-£7,097,000,000**	**-£39,000,000**	**-£7,900,000**	**-£11,296,829,191**
Estimate of reserves to be used	-£17,926,350	£0	-£29,000,000	£0	£0	£0	£0	-£46,926,350
Estimated total income after use of reserves	**-£1,216,791,354**	**-£5,190,442**	**-£2,690,148,707**	**-£287,725,038**	**-£7,097,000,000**	**-£39,000,000**	**-£7,900,000**	**-£11,343,755,541**
Council tax requirement	**£67,658,740**	**£2,623,300**	**£641,371,487**	**£148,024,887**	**£6,000,000**	**£0.00**	**£0.00**	**£865,678,414**
COUNCIL TAXBASE	**2,947,528.61**	**2,947,528.61**	**2,940,317.64**	**2,947,528.61**	**2,947,528.61**	**2,947,528.61**	**2,947,528.61**	
BAND D COUNCIL TAX	**22.95**	**0.89**	**218.13**	**50.22**	**2.04**	**0.00**	**0.00**	**294.23**

Part 2
Final Draft Consolidated Budget 2018-19

Explanation of Proposals

CONTENTS

Introduction and Overview

1.1 The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions. The GLA's five functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPAC), overseeing the work of the Metropolitan Police Service - MPS; the London Fire and Emergency Planning Authority (LFEPA), which will become the London Fire Commissioner (LFC) from 1 April 2018; Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Oak Common and Park Royal Development Corporation (OPDC).

1.2 This section sets out a summary of the key deliverables in the Budget, a summary of the overall proposals and the structure of the rest of the Document.

Key deliverables

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

- continue to tackle London's housing crisis, using the housing grant of £3.15 billion to support starts of 90,000 new affordable homes by 2021;
- implement new Mayoral strategies to catalyse change beyond the GLA's own budget reach, principally through the London Plan;
- provide the best policing affordable within the inadequate funding provided by the Government;
- support much-needed investment in estates, IT and transformation for the Metropolitan Police;
- ensure that the first and second fire engines to arrive quickly at emergency incidents, within six and eight minutes respectively, on average across London;
- make transport more affordable by keeping TfL fares at current levels over the Mayor's first term, protecting concessions and extending the new Hopper fare to unlimited journeys in one hour;
- investing a record £2.2 billion in street schemes and initiatives designed to make walking, cycling and public transport safer, cleaner and more appealing;
- completing and opening services on the Elizabeth line and introducing the Night Overground;
- transforming London's environment – including reducing emissions from vehicles and buildings, making London greener and reducing plastic waste;
- creating an arts and educational district on the Queen Elizabeth Olympic Park site that brings together world class cultural and education institutions; and
- support for London's largest opportunity area through the Old Oak and Park Royal Development Corporation.

Overall gross revenue and capital expenditure of the GLA Group

1.4 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2018-19 compared to 2017-18.

Total gross revenue and capital expenditure	**2017-18 £m**	**2018-19 £m**	**Change £m**	**Change %**
Revenue expenditure:				
GLA: Mayor	324.0	377.1	53.1	16%
GLA: Assembly	7.4	7.8	0.4	5%
Mayor's Office for Policing and Crime (MOPAC)	3,287.9	3,331.5	43.6	1%
London Fire Commissioner (LFC)	431.3	435.8	4.5	1%
Transport for London (TfL)	6,900.3	7,103.0	202.7	3%
London Legacy Development Corporation (LLDC)	41.0	39.0	-2.0	-5%
Old Oak and Park Royal Development Corporation (OPDC)	8.8	7.9	-0.9	-10%
Total revenue expenditure (GLA Group services)	**11,000.7**	**11,302.1**	**301.4**	**3%**
Mayoral strategic investment projects	0.0	140.0	140.0	-
Group items expenditure	0.0	49.0	49.0	-
Business rates retention tariff and levy payments to support local government services outside London	746.2	687.3	-58.9	-8%
Total revenue expenditure	**11,746.9**	**12,178.4**	**431.5**	**4%**
Capital expenditure:				
GLA: Mayor	961.3	858.9	-102.4	-11%
Mayor's Office for Policing and Crime (MOPAC)	231.0	670.8	439.8	190%
London Fire Commissioner (LFC)	18.0	41.7	23.7	132%
Transport for London (TfL)	3,544.4	2,467.5	-1,076.9	-30%
London Legacy Development Corporation (LLDC)	96.4	98.2	1.8	2%
Total capital expenditure	**4,851.1**	**4,137.1**	**-714.0**	**-15%**
Grand total capital and revenue	**16,598.0**	**16,315.5**	**-282.5**	**-2%**

1.5 The gross expenditure for the GLA (Mayor and Assembly) and each functional body is funded through a combination of resources directly controlled and allocated by the Mayor and other sources of income such as specific government grants.

1.6 Revenue figures for 2017-18 in the table at paragraph 1.5 reflect the revised budget position. The capital figures for 2017-18 reflect forecast outturn data as this provides the most meaningful comparator in each case.

1.7 Overall gross revenue and capital expenditure has decreased by £282.9 million in 2018-19 from 2017-18. This primarily reflects the impact of the Crossrail project nearing completion, partially offset by increased capital expenditure in MOPAC. The change in the revenue budget shown in the table above includes the impact of the council tax collection fund surplus in 2018-19, the forecast income from the London Business Rates Pool to be allocated by the Mayor on strategic investment projects and the business rates retention tariff payment. Details of the allocations of these sums are described within the relevant section of this budget. Excluding these items, total gross revenue expenditure has increased by £300.8 million.

1.8 The increase in revenue expenditure reflects increases in TfL expenditure which includes the impact of the one-off committed payment to TfL of the £75 million that was removed from its 2015-16 business rates allocation for its share of the GLA Group's business rates deficit from 2013-14 and 2014-15. Effectively this reflects a delayed committed payment to TfL that has been implemented now that the GLA is forecast to reach a cumulative business rates surplus by the close of 2017-18. In addition, it honours the Government's settlement with TfL.

1.9 The net decrease in the Group's capital expenditure in 2018-19 primarily reflects the reduction in expenditure year on year on Crossrail as it nears completion, partially offset by increases in the capital spending plans for MOPAC on the police estate transformation programme.

1.10 After allowing for fares, charges, other income and use of reserves, gross revenue expenditure of £12,178.0 million for 2018-19 translates into net expenditure to be financed from government grants, retained business rates and the council tax precept of £5,443.4 million.

Council tax precept

1.11 The GLA's precept is the amount of council tax the Mayor has to raise from London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London) to balance the GLA Group's revenue expenditure, after allowing for revenue grants from the Government and retained business rates.

1.12 The Mayor proposes to increase the police element of the Band D precept paid by taxpayers in the 32 London Boroughs by £12.00 in 2018-19 to £218.13 in order to provide additional resources to support front line policing services – an increase in the precept of 5.8 per cent. This is in accordance with the Home Office assumptions that police precepts for all English police forces are increased by £12.00.

1.13 The Mayor has also decided to increase the non-police element of his precept by 2.99 per cent in line with the referendum thresholds announced by the Government in the provisional local government finance settlement and passport the additional revenues generated to the London Fire Brigade following the horrific fire at Grenfell Tower. In practice 1 per cent of the 2.99 per cent increase, as well as the income from additional buoyancy in the council tax base above the 2 per cent assumed in the Draft Budget, will be reallocated to MOPAC by transferring the equivalent sum to policing from LFC's retained business rates allocation. As a result, the Mayor's provisional 2018-19 precept for the Common Council of the City of London which is outside the Metropolitan Police district will be £76.10 - £2.21 higher than in 2017-18. More detailed information about the precept and its calculation are included in Appendix H.

1.14 The forecast consolidated council tax requirement for 2018-19 based on these council tax figures is £865.7 million. Details of the component council tax requirements for each member of the GLA Group for 2018-19, and indicative figures for the following three years, are set out below.

Component council tax requirements	**Approved 2017-18**	**Proposed 2018-19**	**Plan 2019-20**	**Plan 2020-21**	**Plan 2021-22**
	£m	**£m**	**£m**	**£m**	**£m**
GLA (Mayor)*	65.9	67.7	69.2	70.7	72.3
GLA (Assembly)	2.6	2.6	2.6	2.6	2.6
MOPAC	592.0	641.4	667.3	694.2	722.3
LFEPA/LFC	138.2	148.0	155.6	163.4	171.6
TfL	6.0	6.0	6.0	6.0	6.0
LLDC	0.0	0.0	0.0	0.0	0.0
OPDC	0.0	0.0	0.0	0.0	0.0
Consolidated council tax requirement	**804.8**	**865.7**	**900.6**	**937.0**	**974.9**
Total Band D council tax payable in:					
32 London Boroughs	£280.02	£294.23	£300.11	£306.11	£312.23
Common Council of the City of London	£73.89	£76.10	£77.62	£79.17	£80.75

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

1.15 The police element of the Band D precept level is proposed to increase by £12 in 2018-19 and, at this stage, assumed to increase by 1.99 per cent each year thereafter from 2019-20 to 2021-22 in line with the Home Office expectations set out in Spending Review 2015, adjusted to reflect the 2018-19 provisional police settlement assumptions in relation to council tax flexibility for that financial year. The Government has indicated that it intends to retain the £12 council tax flexibility in 2019-20, subject to police forces delivering substantial progress against milestones on productivity and efficiency in 2018. These milestones are yet to be agreed between the Home Office and the Association of Police and Crime Commissioners and the National Police Chiefs Council. The Mayor will consider his council tax policy for 2019-20 and subsequent years once greater clarity is available from the Home Office on its overall funding proposals for policing.

1.16 The above table reflects the 2.4 per cent increase in the council tax base. This means the level of funding provided for policing via the council tax requirement is £49.3 million or 8.3 per cent higher in 2018-19 compared to 2017-18. This excludes the additional business rates income the Mayor is proposing to pass to MOPAC.

1.17 The council tax requirement for the London Fire Brigade in 2018-19 is £9.8 million or 7.1 per cent higher compared to 2017-18, reflecting the 2.99 precept increase to the total non-police precept and its share of the income from the tax base increase. The GLA: Mayor's council tax requirement also increases by £1.8 million reflecting the apportionment of income from the forecast tax base increase; however, this does not result in an increase in that component budgets because it is offset by a £0.3 million reduction in business rates funding, which is allocated to MOPAC. In 2018-19 the GLA will receive a council tax collection fund surplus of £23.9 million for 2017-18; surpluses of £12.2 million are forecast for the following three financial years.

Business rates retention and London 100 per cent retention pilot

1.18 The Government has approved a 100 per cent business rates retention pilot involving the GLA and the 33 London billing authorities for the 2018-19 financial year. This pilot will allow London government to share 100 per cent of the additional business rates growth generated through the pool as it will be subject to no levy on any additional growth in revenues generated excluding the impact of the 2017 revaluation. The GLA alone paid over £13 million in levy payments in 2016-17 and is forecast to pay around £26 million in 2017-18 so the removal of this through the London pilot offers a significant financial benefit to the capital's local authorities.

1.19 It has been agreed by the Mayor that the GLA's incremental revenue arising from the pilot over what it would have received if this had not proceeded will be applied to fund strategic investment projects. The GLA has entered into a Memorandum of Understanding (MOU) with the 33 billing authorities in relation to the administrative and governance arrangements for the pool which includes this commitment. Further details on the 100 per cent pilot are set out in Appendix I.

1.20 As a result of pooling the GLA's share of retained business rates income is now 36 per cent - almost double the 20 per cent share in 2016-17. This higher share offers both the opportunity to generate additional revenues from business rates growth but also exposes the GLA to a greater degree of risk, primarily, but not exclusively, due to the ongoing uncertainty around business rates appeals in respect of both the 2010 and the new 2017 rating lists. This higher share reflects the transfer of TfL's capital investment grant, the revenue support grant for fire services and the GLA, and council tax freeze funding for the police into the business rates retention system in April 2017. The use of retained business rates to reflect the TfL capital grant is allocated to TfL's capital spending plan set out in section 9 and Appendix D.

1.21 Under the MOU, the GLA will still be required to make a fixed tariff payment to the Ministry of Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government (DCLG)) through the pool to support local services elsewhere in England. This will be uprated annually by inflation. This represents the difference between its share of business rates income and its funding baseline. This tariff is will reduce from £720.2 million in 2017-18 to £687.3 million in 2018-19 because of the impact of the London business rates pool pilot which reduces the GLA's business rates share from 37 to 36 per cent and a revised methodology which reflects data from the final complied 2017 rating list, as at 1 April 2017, rather than the draft valuations used for the 2017-18 settlement.

1.22 The GLA's business rates income before tariff payments and excluding the business rates collection fund surplus relating to 2017-18 is estimated to be £3.19 billion in 2018-19. There also remains significant uncertainty relating to outstanding and future business rates appeals. The GLA had a £165 million provision for future appeals refunds on its balance sheet at 31 March 2017 and this is likely to exceed £300 million by 31 March 2018, due to the GLA's higher business rates share from April 2017. Further details are set out in Appendix I.

1.23 Forecast council tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2018-19 including government grants and fare revenues are summarised below.

Spending plans and council tax requirements	**2018-19 £m**	**2018-19 %**
Spending plans	12,178.4	100%
Less:		
Passenger income	-4,793.5	-39%
Home Office Police General and Formula Grant	-1,882.1	-15%
Other general income	-1,364.3	-11%
Retained business rates	-1,510.1	-12%
Business rates income used to fund tariff payment to MHCLG	-687.3	-6%
Home Office specific grants	-423.3	-3%
Other specific Government grants	-61.6	-1%
TfL revenue surplus / (deficit)	-463.6	-4%
Non-TfL use of reserves	-29.0	0%
Net billing authority collection fund surplus for council tax	-97.7	-1%
Consolidated council tax requirement for GLA Group	**865.7**	**7%**

Funding allocations from sources over which the Mayor has direct control

1.24 Appendix H sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations made by the Mayor. The table overleaf summarises the Mayor's allocation of those revenue streams over which he has direct control which are business rates and council tax. These are the funds which the Mayor has the ability to apply and reallocate across the GLA Group at his discretion, subject to the Assembly's consideration of the Mayor's budget proposals. 2018-19 allocations are compared to the 2017-18 original allocations.

1.25 The table shows that the principal changes in the allocation of resources controlled by the Mayor across the GLA Group are the increased allocations to the GLA: Mayor, MOPAC, LFC (formerly LFEPA) and TfL. This reflects the allocation of additional council tax and business rates income resulting from the borough council tax and business rates returns for 2018-19. The allocation of additional business rates to TfL includes a one-off £75 million committed repayment to compensate TfL for the £75 million reduction in its 2015-16 business rates allocation for its share of the GLA's cumulative business rate deficit at the end of 2014-15. The allocation to the LLDC reflects a reduction in underspends carried forward from previous years and the reduced allocation to OPDC reflects underspends carried forward and the removal of one-off expenditure incurred in 2017-18. There is reduced funding allocated to the GLA: Mayor. Appendix I sets out the technical assumptions underpinning the planned funding allocations.

Allocation of funding sources over which the Mayor has direct control

2018-19 (£m)	Mayor	Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Total
Council tax	67.7	2.6	641.4	148.0	6.0	0.0	0.0	865.7
Council tax collection fund surplus	23.9	0.0	0.0	0.0	0.0	0.0	0.0	23.9
Business rates (revenue)	103.2	5.2	91.1	238.7	947.1	3.6	5.1	1,394.0
Business rates (capital)	8.7	0.0	0.0	11.8	976.0	0.0	0.0	996.5
Business rates (Mayor's Strategic Investment Fund)	140.0	0.0	0.0	0.0	0.0	0.0	0.0	140.0
Business rates (Group Items)	49.0	0.0	0.0	0.0	0.0	0.0	0.0	49.0
MDC Reserve	0.0	0.0	0.0	0.0	0.0	16.2	1.7	17.9
Total Mayoral funding	**392.5**	**7.8**	**732.5**	**398.5**	**1,929.1**	**19.8**	**6.8**	**3,487.0**

2017-18 (£m)	Mayor	Assembly	MOPAC	LFEPA	TFL	LLDC	OPDC	Total
Council tax	65.9	2.6	592.0	138.2	6.0	0.0	0.0	804.7
Council tax collection fund surplus	24.8	0.0	0.0	0.0	0.0	0.0	0.0	24.8
Business rates (revenue)	85.9	4.8	29.6	244.2	854.3	13.2	2.5	1,234.5
Business rates (capital)	0.0	0.0	0.0	0.0	960.0	0.0	0.0	960.0
Business rates (Group Items)	76.1	0.0	0.0	0.0	0.0	0.0	0.0	76.1
MDC Reserve	0.0	0.0	0.0	0.0	0.0	7.8	5.5	13.3
Total Mayoral funding	**252.7**	**7.4**	**621.6**	**382.4**	**1,820.3**	**21.0**	**8.0**	**3,113.4**
Change	**139.8**	**0.4**	**110.9**	**16.1**	**108.8**	**-1.2**	**-1.2**	**373.6**

1. Figures are net of tariff and levy payments under the business rates retention scheme.
2. LLDC and OPDC allocations reflect the reflect the funding of underspends carried forward from previous years.

Equalities

1.26 Promoting equality, diversity, inclusion, social mobility and social integration are all high priorities for the Mayor. A steering group, chaired by the Deputy Mayor for Social Integration, Social Mobility and Community Engagement and with representation from all the GLA Group, has been overseeing the development of the new Equality, Diversity and Inclusion Strategy, due to be published in 2018, which will set out the Mayor's priorities and approach. Each member of the Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected groups.

1.27 All seven component bodies (the Mayor and Assembly and the five functional bodies) must comply with section 149 of the Equality Act 2010, the Public Sector Equality Duty (PSED). Compliance with the duty is iterative and on-going. This requires each body to have due regard to three outcomes: (1) the need to eliminate unlawful discrimination, harassment and victimisation; (2) to advance equality of opportunity between those who share a protected characteristic and those who do not; and (3) to foster good relations between such people. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken. Further information about the PSED is provided in Part 3 of the Budget (see Section 2).

1.28 The component bodies will undertake this exercise at a budget level and in the implementation of their individual policies, programmes and projects. An interim assessment of the equality implications of each component body's budget at this stage are set out in their relevant sections below.

Structure of Document

1.29 Revenue budget proposals and funding for each constituent body within the GLA Group is presented in organisational terms in Sections 2 to 8 of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of their council tax requirements. Section 9 sets out the final draft capital spending plans and borrowing limits for the GLA Group.

1.30 Appendices A to I provide more explanatory information on the budget proposals, including at Appendices H and I addressing the medium term financial outlook for the GLA Group and funding assumptions underpinning the budget proposals. All figures are presented to the nearest £0.1 million. Please note that figures in the tables throughout the document may not sum exactly due to this rounding effect.

1.31 There are also more detailed public documents relating to the budget proposals, including those that have been the subject of individual scrutiny and discussion by the functional bodies. These are available on the GLA's and functional bodies' websites. For further information on these documents, or generally in respect of the budget proposals, please contact:

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Martin Mitchell (for London business rates pool)	e-mail: martin.mitchell@london.gov.uk

Greater London Authority: Mayor of London

2.1. The GLA is a strategic authority with a London-wide role to design a better future for the capital. The Mayor of London sets a city-wide vision of improvement, develops strategies, policies and investment programmes to realise the vision and provides funding and encouragement to help make it a reality. The London Assembly holds the Mayor to account by examining his decisions and actions to ensure he delivers on his promises to Londoners.

2.2. For the purpose of budget setting the Mayor of London and London Assembly must be treated as separate constituent bodies. The component budget for the Assembly comprises estimates for its direct expenditure and income and is set out at Section 3. The budget for the Mayor is set out below. It includes expenditure incurred on accommodation in relation to the Assembly's business and goods and services provided or procured for the Authority in general.

Key deliverables

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

- continue to tackle London's housing crisis, using the housing grant of £3.15 billion to support delivery starts of 90,000 affordable homes by 2021, accelerating the development of the GLA's own land portfolio as well as the Housing Zones, and addressing the scourge of rough sleeping;
- improve London's infrastructure and local economies through the Growing Places Fund, the Further Education Capital Fund, and the forthcoming Growth Deal 3, with the provision of space and support for small and medium sized enterprises (SMEs) so they can grow, innovate and create new jobs, the creation of new capacity for London's infrastructure, a stronger high street economy, and modernised, better equipped further education colleges;
- support the creative sector across the whole of London with strong cultural programmes (such as creative enterprise zones, the London Borough of Culture scheme and a creative land trust) and supporting economic growth and the provision of studios and workshops for creative industries;
- improve air quality, including by supporting local action with schools and helping bring London to legal compliance as quickly as possible (for example, through the T-charge and bringing forward the introduction of the Ultra-Low Emissions Zone);
- deliver energy efficiency initiatives to reduce carbon emissions and alleviate fuel poverty;
- support children and early years learning and development, and address the multiple issues of quality, cost and availability of childcare provision in London promoting collaborative approaches amongst partners;
- build strong communities and connections across social divides, and encourage Londoners to play active roles in the city as citizens and neighbours; and
- implement new Mayoral strategies to catalyse change beyond the GLA's own budget reach, principally through the London Plan.

Gross revenue expenditure

2.4. Excluding inter-group items and Group wide business rates retention payments the Mayor is proposing an increase in gross revenue expenditure of £53.1 million in 2018-19 compared to the revised budget for 2017-18. After adding the business rates retention tariff payment, the Mayor's Strategic Investment Fund and other group items expenditures the GLA's gross expenditure is proposed to be £1,253.4 million.

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

Net revenue expenditure and council tax requirement

2.6. After deducting fees, charges, investment income, business rate supplement revenues used to finance Crossrail borrowing, and use of earmarked reserves, net expenditure for 2018-19 for GLA Mayor services is proposed to be £194.8 million.

2.7. The £194.8 million net expenditure for services excludes transactions relating to GLA Group items which are dealt with separately in the GLA Group item budget in Table 2 of Appendix A.

2.8. The GLA Group items budget includes £113.6 million of forecast business rates income from the London Pool in 2018-19, the allocation of the £73.8 million business rates collection fund surplus and an additional £1.6 million of business rates income. The total funding from these sources is £189.0 million of which £140.0 million is being allocated on the Mayor's Strategic Investment Fund with £47.0 million and £2.0 million being allocated to the Cultural Education District (CED) public sector partner funding and Group collaboration projects respectively.

2.9. Also included in the statutory calculation of the gross expenditure totals of the GLA: Mayor component budget in Appendix H is the business rates retention tariff payment of £687.3 million. After adjusting for the expenditure items set out above and the tariff payment, the statutory gross expenditure figure for the GLA is £1,284.5 million. After deducting income from retained business rates, the net council tax and business rates collection fund surplus, and other general income, the statutory council tax requirement for the Mayor is £67.7 million.

2.10. Also included in the GLA: Mayor budget is a provision for the repayment of debt and other grant payments for LLDC. The provision is a prudent sum held to cover the forecast gap between the amount of debt that LLDC can take out and its forecast total capital expenditure. See Section 9 for more details.

2.11. The GLA: Mayor council tax requirement increases each year from 2018-19 to 2020-21 offset by a reduction in the retained business rates allocated to the GLA: Mayor budget. Overall, the total business rates and council tax allocated to the GLA: Mayor for services falls in each of these years as a consequence of separating the proposed funding allocated by the Mayor to LLDC and OPDC from the GLA: Mayor budget.

2.12. The GLA: Mayor's budget on a directorate basis is set out in the table overleaf. The GLA: Mayor's component council tax requirement increases each year because it includes the apportionment of part of the non-police share of the forecast income from the forecast two per cent annual council tax base increase to the GLA component budget. This increase in council tax income is offset by a reduction in the business rates allocation to the GLA: Mayor component budget.

Explanation of budget changes

2.13. An analysis of the year on year movement in the proposed council tax requirement for the GLA: Mayor compared to the revised budget for 2017-18 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix A sets out a subjective analysis of the Mayor's budget.

Changes in the council tax requirement	**£m**
2017-18 council tax requirement	65.9
Changes due to:	
Inflation	2.4
Savings and efficiencies	-2.0
Net change in service expenditure and income	-0.7
Change in use of reserves	19.4
Net change in retained business rates	-17.3
2018-19 council tax requirement	**67.7**

Inflation

2.14. The budget includes a provision for inflation of £2.4 million. This includes inflation relating to the pay award which is funded in 2017-18 through funding from reserves. Thereafter it has been incorporated into the base budget. This will be kept under review and the level of future contingency will also need to be reviewed.

Savings and efficiencies

2.15. The budget incorporates planned savings and efficiencies of £2.0 million. This primarily reflects savings arising from GLA programme budgets and the GLA's grants to the Museum of London not being uplifted for inflation.

Net change in service expenditure and income

2.16. The budget proposes a £0.7 million net reduction in service expenditure and income. The largest item in this reduction is the £4.6 million fall in directorate expenditure – due primarily to one-off expenditure in 2017-18 relating to the World Para Athletics Championships and International Association of Athletics Federations World Championships – with other offsetting net increases across the other budget lines.

Objective analysis **GLA: Mayor services**	**Revised Budget** **2017-18** **£m**	**Forecast** **2017-18** **£m**	**Budget** **2018-19** **£m**	**Plan** **2019-20** **£m**	**Plan** **2020-21** **£m**	**Plan** **2021-22** **£m**
Directorate Expenditure						
Development, Enterprise & Environment	25.3	23.6	36.9	24.2	23.5	23.6
Housing & Land	27.5	25.7	25.9	25.9	25.9	25.9
Communities & Intelligence	31.7	30.7	42.6	44.8	44.8	28.0
External Affairs	9.2	9.4	9.4	9.4	9.4	9.5
Resources	29.2	29.4	28.7	27.7	27.8	27.9
Corporate Management Team	1.1	1.1	1.2	1.2	1.2	1.1
Mayor's Office	5.1	5.1	6.0	5.9	5.9	6.0
Elections	0.3	0.1	0.8	6.5	17.9	0.5
Directorate Expenditure	**129.4**	**125.1**	**151.5**	**145.6**	**156.4**	**122.5**
Museum of London	11.6	11.6	11.6	11.6	11.6	11.6
London and Partners	11.9	11.9	13.7	13.1	13.1	13.1
Contingency	1.8	1.8	1.9	1.8	1.7	2.1
Other service expenditure	**25.3**	**25.3**	**27.2**	**26.5**	**26.4**	**26.8**
Financing costs – Crossrail	115.0	115.0	117.3	112.9	109.0	107.1
Financing costs – Northern Line Extension	5.4	5.4	11.7	19.6	23.3	23.3
Financing costs – other	7.0	7.0	6.5	6.1	6.1	5.7
Provision for repayment of debt/ other grant payments - LLDC[1]	19.5	19.5	14.9	12.8	11.8	11.8
Financing Costs	**146.9**	**146.9**	**150.4**	**151.4**	**150.2**	**147.9**
Interest receipts	-10.9	-10.9	-9.8	-9.8	-9.8	-9.8
Crossrail Business Rate Supplement	-115.0	-115.0	-117.4	-112.9	-109.0	-107.1
Northern Line Extension contributions	-5.4	-5.4	-11.7	-19.6	-23.3	-23.3
Interest receipts GLA Land & Property (GLAP) loan	-9.9	-9.9	-8.8	-7.9	-7.1	-6.5
Adjustment for direct net GLAP expenditure	-8.7	-8.7	-6.0	-4.9	-4.7	-4.7
GLAP recharge	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7
Income	**-153.6**	**-153.6**	**-157.4**	**-158.8**	**-157.6**	**-155.1**
Transfer of resource to Mayoral Development Corporation Reserve held in GLA Group budget	0.0	6.3	0.0	0.0	0.0	0.0
Transfer to/ (from) reserves held for GLA services[2]	3.8	1.8	23.2	-33.7	-45.0	-0.9
Net service expenditure after use of reserves	**151.8**	**151.8**	**194.8**	**131.0**	**130.4**	**141.2**
Retained business rates	85.9	85.9	103.2	61.7	59.6	68.9
Council tax collection fund surplus	0.0	0.0	23.9	0.0	0.0	0.0
Council tax requirement	**65.9**	**65.9**	**67.7**	**69.2**	**70.8**	**72.3**

Notes to above table

1 This provision is available to cover the forecast gap between the amount of debt that LLDC can take out and its forecast total capital expenditure. See Section 9 for more details.

2 Use of reserves in this table excludes movements on the Business Rates Reserve, Mayoral Development Corporation Reserve and Capital Programme Reserve (which funds capital investment plans through the Mayor's final draft Capital Spending Plan – see section 9).

Change in use of reserves

2.17. The budget proposes a net increase in the transfer to reserves of £28.1 million, reflecting the creation of new reserves to fund mayoral projects and initiatives in future years, from business rates income to be received in 2018-19.

Net change in retained business rates

2.18. Retained business rates funding allocated by the Mayor in 2018-19 is £26.0 million more than in 2017-18 reflecting the allocation of additional business rates income to be received in 2018-19, as set out in Part 1. Although the council tax funding for the GLA: Mayor component budget has increased due to the allocation of non-police council tax buoyancy, this is offset by a reduction in the business rates allocation so that there is no net increase in resources to the GLA: Mayor budget from the additional council tax funding.

Equalities

2.19. Inclusive London is the Mayor's equality, diversity and inclusion strategy and includes relevant evidence and long-term strategic objectives that set out what the GLA Group is aiming to achieve in relation to equality, diversity and inclusion. The strategy will be published in final form in early 2018 with an action plan to follow. Equalities impacts continue to be considered when individual programmes and project specifications are developed and approved through the Authority's decision-making processes.

Environmental impact

2.20. The budget prioritises environmental issues and includes the following initiatives, among others:

- tackling London's dangerously polluted air by leading on the delivery of the Mayor's statutory air quality duties;
- delivering Energy for Londoners to decarbonise London's homes and workplaces while protecting the most vulnerable by tackling fuel poverty and improving energy efficiency;
- helping secure a future for London's greenspaces, including investing in their improvement and implementing a tree planting programme to increase existing tree cover in the capital;
- ensuring new developments have a minimal impact on the environment and helping make London and Londoners resilient to severe weather and longer-term climate change impacts; and
- finalising a new London Environment Strategy (LES), informing policies in other strategies and supporting the impact assessments of all new Mayoral strategies being issued.

2.21. The Mayor's budget increases funding for his environment programme which already includes, for example, £10 million earmarked for energy efficiency and helping to tackle fuel poverty. Over the next three years, it is intended to use funds from within the overall environment budget to support action to reduce single-use plastic waste, particularly plastic bottles, including working with businesses to offer more public access to tap water. For 2018-19 an additional £6 million has been made available for environmental projects, including further action on air quality, single-use plastics and additional funding for green spaces and tree-planting.

Reserves

2.22. The balance on the Business Rates Reserve is forecast to be £188.2 million at the close of 2018-19, with the balance on the Mayoral Development Corporation Reserve (MDC) standing at £4.1 million. These two reserves relate to GLA Group item expenditure but are held on the GLA: Mayor's balance sheet.

2.23. The Business Rates Reserve is used to manage business rates income risk. Balances on the reserve reflect forecast business rates income for 2017-18 and 2018-19. There are a number of uncertainties concerning the forecast level of business rates receivable in each of these years. The primary uncertainty is the impact of the April 2017 revaluation on the level of appeals by business rates payers that the London billing authorities (the 32 boroughs and City of London) must forecast and provide for in their forecast business rates receivable from ratepayers.

2.24. The forecast balance on the Business Rates Reserve reflects current assumptions on the adequacy of the reserve; £188.2 million is around 6 per cent of the GLA's estimated business rates income receivable in 2018-19 gross of its estimated share of the tariff payment payable to the Government through the London pool. This is in line with the largest change seen between the GLA's share of the business rates as forecast by the billing authorities and actual outturn, since the introduction of the localised retained rates system.

2.25. With the new pooling arrangements there is a more favourable safety net threshold which would imply a reduction in this reserve. However, as the pool pilot is not guaranteed to continue, there is still uncertainty around the appeals process and the increased business rates income is at this stage based on forecasts, it is appropriate to maintain the Business Rates Reserve at £188.2 million as a contingency, given that the Mayor plans to commit the additional business rates income prudently identified as recurring on an ongoing basis to MOPAC.

2.26. The GLA's forecast outturn for 2017-18 is based on billing authorities' most recent forecasts. These forecasts result in a 'surplus' in business rates income in 2017-18, over-and-above the business rates resource allocated to the functional bodies for services. The Mayor plans at this stage to hold this forecast surplus in the Business Rates Reserve as contingency against the risk of business rates income in future years being less than forecast.

2.27. Given the degree of uncertainty surrounding forecast business rates income the Mayor has taken the decision that for 2018-19 to 2021-22 it is prudent to forecast an ongoing additional £56.4 million in 2018-19, increasing by 0.7 per cent a year thereafter. Almost all of this additional funding is allocated to MOPAC in 2018-19 and future years. The Mayor has agreed to reimburse TfL in 2018-19 for the £75 million payment it made in 2015-16 representing its share of the GLA Group's business rates deficit from 2013-14 and 2014-15. Effectively this reflects a delayed committed payment to TfL that can now be made, as had been planned, now that the GLA is forecast to reach a cumulative business rates surplus by the close of 2017-18.

2.28. The Mayoral Development Corporation (MDC) Reserve which is ringfenced to support LLDC and OPDC is forecast to have a balance of £4.1 million by 31 March 2019. This balance is based on a contingency of £2.4 million held for unexpected costs arising within LLDC and OPDC and the £1.7 million of specific contingency funding that remains unallocated for OPDC activity, after allowing for OPDC's forecast 2017-18 underspend.

2.29. Reserves earmarked for GLA: Mayor services are forecast to be £132.4 million at the close of 2018-19 and reduce to £52.8 million by the close of 2021-22 reflecting the planned use of the reserves to support Mayoral priorities. The unused earmarked reserves at the end of 2021-22 includes balances relating to the New Homes Bonus grant that has been set aside to fund regeneration schemes that will be carried out by London Boroughs in future years and funding held for exceptional repairs and maintenance work across the GLA Estate where it is difficult to profile when these sums will be spent. In addition, funding for the Mayor and Assembly elections when they fall due every four years is also included in the earmarked reserves.

2.30. The Capital Programme Reserve is forecast to have a balance of £54.9 million at the close of 2018-19 and reduce to £46.1 million by the close of 2021-22; plans are being developed on how this remaining sum will be allocated. The general reserve balance is forecast to remain at £10 million across the period.

Movement in reserves during financial year	**Outturn 2016-17 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Opening balances	440.7	332.7	396.6	389.7	352.0	302.2
Transfers to/from:						
Business Rates Reserve	-81.6	73.4	0.0	0.0	0.0	0.0
Mayoral Development Corporation (MDC) Reserve	-5.1	-7.0	-17.9	0.0	0.0	0.0
Reserves earmarked for GLA services	-42.4	1.9	23.2	-33.7	-45.0	-0.9
Capital programme reserves	69.7	-4.4	-12.2	-4.0	-4.8	0.0
General reserves	-48.6	0.0	0.0	0.0	0.0	0.0
Closing balances	**332.7**	**396.6**	**389.7**	**352.0**	**302.2**	**301.3**

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

Total reserves at end of financial year	**Outturn 2016-17 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Business Rates Reserve	114.8	188.2	188.2	188.2	188.2	188.2
MDC Reserve	29.0	22.0	4.1	4.1	4.1	4.1
Reserves earmarked for GLA services	109.2	109.2	132.4	98.7	53.7	52.8
Capital programme reserve	69.7	67.1	54.9	50.9	46.1	46.1
General reserves	10.0	10.0	10.0	10.0	10.0	10.0
Total	**332.7**	**396.6**	**389.7**	**352.0**	**302.2**	**301.3**

Greater London Authority: London Assembly

3.1 The separate component budget for the London Assembly comprises GLA costs arising in respect of Assembly Members, of employees of the Authority who work as support staff for the Assembly, of goods and services procured solely for the purposes of the Assembly and of the support provided by the Assembly to London TravelWatch, the watchdog for transport users in and around London.

Key deliverables

3.2 The Assembly Secretariat supports the Assembly in:

- holding the Mayor to account;
- conducting investigations into issues of importance to Londoners;
- enabling Assembly Members to conduct their representative and constituency roles;
- raising its profile and enhancing its reputation among Londoners; and
- overseeing the work of London TravelWatch.

Revenue expenditure and council tax requirement

3.3 The Mayor is proposing that the Assembly's gross and net revenue expenditure for 2017-18 is £7.8 million.

3.4 Deducting the retained business rates shares results in the Mayor proposing a council tax requirement for the Assembly of £2.6 million in 2018-19. The revenue budget for the Assembly is set out in the table below on an objective basis.

Objective analysis Assembly	Revised Budget 2017-18 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Assembly Members	1.8	1.8	1.8	1.8	1.9	1.9
Committee & Member Services	2.7	2.7	2.9	2.9	2.9	2.9
Scrutiny & External Relations	1.6	1.6	1.8	1.8	1.8	1.9
Director/Business Support	0.2	0.2	0.2	0.2	0.2	0.2
London TravelWatch	1.0	1.0	1.0	1.0	1.0	1.0
Net revenue expenditure	**7.4**	**7.4**	**7.8**	**7.8**	**7.9**	**7.9**
Retained Business Rates	4.8	4.8	5.2	5.2	5.3	5.3
Council tax requirement	**2.6**	**2.6**	**2.6**	**2.6**	**2.6**	**2.6**

Explanation of budget changes

3.5 An analysis of the year on year movement in the Mayor's proposed council tax requirement for the Assembly compared to the revised budget for 2017-18 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix A sets out a subjective analysis of the Assembly's budget

Changes in the Assembly's council tax requirement	**£m**
2017-18 council tax requirement	2.6
Changes due to:	
Increases in net revenue expenditure	0.4
Increase in resources allocated by the Mayor	-0.4
2018-19 council tax requirement	**2.6**

Increase in net revenue expenditure

3.6 The proposed Assembly budget includes £0.2 million for increased committee and member service costs and £0.2 million for increases in scrutiny and external relations costs.

Increase in resources allocated by the Mayor

3.7 The Mayor intends to allocate an additional £0.4 million of business rates in 2018-19 to fund the increased costs outline above.

Equalities and environmental impact

3.8 There are no specific equalities or environmental impacts arising from the Assembly's budget. The Assembly scrutinises the Mayor's performance in this regard.

Reserves

3.9 The Assembly Development and Resettlement Reserve is forecast to be £1.5 million at the end of 2018-19. The main purpose of this reserve is to fund resettlement costs when Assembly Members leave office. This reserve is held within the GLA: Mayor component budget earmarked reserve balances and is therefore not shown separately here.

Mayor's Office for Policing and Crime

4.1 The Mayor's Office for Policing and Crime (MOPAC) works on behalf of Londoners to hold the Metropolitan Police Service (MPS) to account and improve the provision of criminal justice services across the capital. MOPAC's Police and Crime Plan sets out the Mayor's strategy for policing and crime reduction over a four-year period from 2017-18 to 2020-21.

Key deliverables

4.2 The Mayor consulted on a draft Police and Crime Plan during the early months of 2017, and approved the Police and Crime Plan - A Safer City for all Londoners 2017-21, in March 2017. The strategy sets out the five top priorities:

- A better police service in London;
- A better criminal justice service for London;
- Keeping children and young people safe;
- Tackling violence against women and girls; and
- Standing together against hatred, extremism and intolerance.

4.3 Furthermore, the Mayor is committed to delivering the MPS transformation programme. This programme, called 'One Met Model 2020', aims to deliver:

- For the public – building confidence and tackling the issues that matter to them most;
- For MPS's people – providing strong leadership and equipping them with the skills and tools which match their commitment to the job;
- Digital transformation – exploiting the digital revolution, new technology and valuing data; and
- Organisational transformation – becoming a flexible and agile organisation.

Gross revenue expenditure

4.4 Gross revenue expenditure by MOPAC is to be increased by £43.6 million to £3,333.5 million in 2018-19 compared to the revised budget of £3,287.9 million in 2017-18. Total capital expenditure is forecast to be £670.8 million in 2018-19 – an increase of £439.8 million compared to 2017-18.

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

Net revenue expenditure and council tax requirement

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

Objective analysis MOPAC	**Revised Budget 2017-18 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Territorial policing	1,121.4	1,081.9	1,132.9	1,173.7	1,176.5	1,174.0
Specialist crime and operations	713.9	713.9	699.4	702.3	702.3	702.3
Specialist operations	340.2	356.3	339.3	335.3	328.3	334.3
Met HQ	646.6	653.8	505.6	522.1	493.3	455.3
Total business groups	**2,822.1**	**2,805.9**	**2,677.3**	**2,733.5**	**2,700.5**	**2,665.9**
Discretionary pension costs	34.4	33.6	34.4	34.4	34.4	34.4
Centrally held	75.6	86.8	202.0	249.6	326.8	423.5
Capital financing costs	41.9	41.5	97.2	53.9	69.3	80.3
Interest receipts	-1.3	-2.0	-1.3	-1.3	-1.3	-1.3
Total corporate budgets	**150.7**	**159.9**	**332.4**	**336.6**	**429.2**	**536.9**
Mayor's Office for Policing and Crime	58.6	57.8	58.1	57.1	53.3	53.3
Savings to be identified	0.0	0.0	0.0	-44.2	-94.1	-139.9
Net revenue expenditure	**3,031.4**	**3,023.6**	**3,067.8**	**3,083.1**	**3,089.0**	**3,116.2**
Transfer to/(from) reserves	-90.6	-51.0	-29.0	-22.2	-1.0	0.0
Financing requirement	**2,940.7**	**2,972.6**	**3,038.8**	**3,060.9**	**3,088.0**	**3,116.2**
Specific grants	437.1	469.1	423.3	423.3	423.3	423.3
Retained business rates	29.6	29.6	92.0	88.2	88.4	88.5
Home Office Police Grant	1,882.0	1,882.0	1,882.1	1,882.1	1,882.1	1,882.1
Council tax requirement	**592.0**	**592.0**	**641.4**	**667.3**	**694.2**	**722.3**

4.7 After deducting fees, charges, and other income and use of reserves MOPAC's approved net expenditure for 2018-19 before the application of government grants and council tax is £3,038.8 million. After allowing for specific grants, the Mayor is setting funding for MOPAC at £2,615.5 million. The increase in resources allocated to centrally held budgets reflects decisions the MPS has yet to make over how these additional amounts are to be allocated between business groups.

4.8 By 2021-22 MOPAC forecast that £325 million in savings and efficiencies will need to be delivered. This comprises £140 million, the cumulative total of savings to be identified over the period to 2021-22, and £185 million, the total of savings and efficiencies that MOPAC has identified over the budget period.

4.9 In line with the Government's assumptions on council tax, the Mayor proposes an increase in the police Band D charge of £12 (5.8 per cent) in 2018-19. The council tax requirement for MOPAC will increase by £49.4 million to £641.4 million, reflecting the precept rise and the impact of the 2.4 per cent growth in the council tax base, confirmed following returns from the billing authorities at the end of January 2018.

Explanation of budget changes

4.10 An analysis of the year on year movement in the Mayor's proposed council tax requirement for MOPAC compared to the revised budget for 2017-18 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix B sets out a subjective analysis of MOPAC's budget.

Changes in the council tax requirement	**£m**
2017-18 council tax requirement	592.0
Changes due to:	
Inflation	59.6
Savings and efficiencies	-130.3
Net change in existing service expenditure	107.2
Change in use of reserves	61.6
Net change in Government grants and retained business rates	-62.5
Net change in specific grants	13.8
2018-19 council tax requirement	**641.4**

Inflation

4.11 MOPAC has made provision for pay and non-pay inflation within the above estimates of £59.6 million. This consists of pay inflation of £49.1 million and non-pay inflation of £10.5 million. The non-pay inflation has been calculated based on a robust review of existing budgets, contract and anticipated inflationary pressures. The pay inflation of £49.1 million includes the additional £20.1 million costs of a 2 per cent pay increase for police officers, staff and Police Community Support Officers (PCSOs) in 2018-19, rather than 1 per cent, as previously assumed.

4.12 It also includes the impact of both the 1 per cent consolidated and 1 per cent non-consolidated pay awards announced for 2017-18. The non-consolidated 2017-18 pay award has a part-year impact in 2018-19 of £4.0 million. Given the recommendation of the Police Remuneration Review Body, the 1 per cent non-consolidated element in 2017-18 is prudently assumed to be consolidated in 2018-19 and future years. The Home Secretary's decision on police officer pay awards for 2018 is unlikely to be confirmed until summer 2018; until this point, the police pay inflation assumptions for 2018-19 are subject to change.

Savings and efficiencies

4.13 The 2018-19 budget incorporates planned savings and efficiencies of £130.3 million. MOPAC is committed to further reform, through its own commissioning budgets and through further transformation in the MPS to improve performance, raise effectiveness and drive further savings.

4.14 In order to deliver a balanced budget, savings and efficiencies of £130.3 million have been found, of which £100 million relates to reducing the police officer budget to an establishment of 30,000, delivered primarily by the Strengthening Local Policing Programme and other changes to the specialist crime and operations budget. There are also savings of £13.1 million resulting from investments in digital policing. The remaining £17.2 million of savings identified by the MPS reflect outsourcing elements of the back office, and efficiencies in police staff, including the commercial, strategy and custody functions.

4.15 The MPS plans to drive further savings and transformation which will generate efficiencies and provide a better service. This includes investing in equipment to allow more people to report crime over the phone or online, merging police force functions and testing organisational structures to make better use of officer time. The MPS are also rationalising the estate to deliver savings and investment and these savings come through in the later years of the budget period.

Net change in existing service expenditure

4.16 The budget proposes net change in existing service expenditure of £107.2 million when comparing the revised 2017-18 budget with the 2018-19 budget. This consists of a number of growth items, including new systems, increased business rates bills as a result of the 2017 revaluation, and provision for costs of exiting buildings, arising from the Estates Strategy. It also includes a £15 million dedicated funding pot to fund activity targeted at reducing knife crime.

4.17 The Mayor has allocated additional funding from retained business rates to support policing in 2018-19. This provides for £55 million in 2018-19 to reduce previously planned borrowing for capital projects, which leads to a saving in capital financing costs of £3.3 million per year, from 2019-20 onwards. This saving will allow on-going support for MPS's mental health work in 2019-20 and later years. An initial £2.1 million has been provided for the mental health work in 2018-19 from a one-off allocation of retained business rates. In 2018-19, £5 million from the increased allocation of retained business rates and £13.9 million of council tax income, included within the draft budget the Mayor's decision to increase the precept, is also allocated to support officer recruitment.

4.18 Keeping Londoners safe is the Mayor's top priority and, from 2019-20, he will invest at least an additional £59 million annually to support an extra 1,000 police officers than would otherwise be affordable by taking an unprecedented step change in the scale of use of income raised from business rates for policing.

4.19 The Mayor's Office for Policing and Crime is responsible for overseeing the finances and performance of the MPS, as well as commissioning a wide range of services to prevent crime and support victims. The proposed net revenue expenditure budget for the Mayor's Office for Policing and Crime in 2018-19 is £58.1 million. The majority of this budget is used for commissioned services, £42.3 million in 2017-18. The budget associated with MOPAC's oversight function is unchanged in 2018-19 compared to the year before.

4.20 For 2018 19 the Mayor is making available funding from retained business rates for £1 million of additional projects, compared to the draft budget; £0.6 million for a Violence Against Women and Girls (VAWG) campaign, including a Female Genital Mutilation (FGM) campaign, and £0.4 million to fund a new Countering Violent Extremism programme.

Change in use of reserves

4.21 MOPAC has budgeted for a reduction in the use of reserves of £61.3 million, reducing the planned call on reserves from £90.6 million in the 2017-18 revised budget to £29.0 million in 2018-19. The Met's earmarked reserves are being held for specific purposes including facilitating the transformation programme, managing one-off impacts against the medium-term budget, and statutorily ring-fenced accounts (such as the Proceeds of Crime Act income). The earmarked reserves are being used over time, in line with the profile of the specific programme spend requirements for which they are held.

Net change in Government grants and retained business rates

4.22 The provisional police finance settlement announced that core grant funding from the Home Office to the MPS would remain at 2017-18 cash levels. In addition, the Mayor proposes to allocate an extra £62.4 million in funding from the GLA's retained business rates to support policing in 2018-19. From 2019-20 onwards the Mayor has allocated an additional £56 million per year from retained business rates, compared to the allocation set out in the draft budget. The Mayor will also make available around £1 million in additional retained rates each year, funded by a transfer from the additional income from council taxbase buoyancy that the GLA and other functional bodies are expected to receive.

Equalities

4.23 Throughout the planning process MPS business groups conduct detailed Equality Impact Assessments (EIA) against strategies, plans, policies and programmes being developed, to identify benefits and mitigate any adverse impacts. Activities, with focus on significant change programmes, are therefore developed to reflect MOPAC and MPS's commitment to equality and diversity issues, as demonstrated by the Public Access Consultation EIA.

Environmental impact

4.24 MOPAC's planning framework helps to ensure that environmental sustainability issues are properly reflected in future plans and budgets, such as through building into budget plans the acceleration of the vehicles renewal programme to support and comply with the Mayor's Ultra Low Emission Zone scheme to tackle London's air pollution. As a member of the GLA Group, MOPAC supports the measures set out in the draft London Environment Strategy (LES), including adopting the GLA's Responsible Procurement guidance, reducing emissions from the MPS fleet, and reducing waste and increasing recycling rates in operations.

Reserves

4.25 At 31 March 2018, MOPAC forecasts general reserves balance will total £46.6 million. This level of general reserves is forecast to be maintained to the end of 2021-22. The general reserves are held to cover the cost of unexpected pressures.

4.26 The £51.0 million forecast transfer from reserves in 2017-18, includes a £17.7 million underspend as reported at Quarter 2 and the remaining full year forecast police pay underspend to be transferred to reserves, which amounts to £16.5 million. There are a number of assumptions and risks built into the forecast position with uncertain outcomes; which may change the final position and alter the required transfers to and from reserves.

4.27 The Met's earmarked reserves are being held for specific purposes, including investment in its transformation and change programme, and managing one-off impacts to the medium-term budget.

4.28 Earmarked reserves are budgeted to reduce to £89.8 million by 2021-22. However, as the exact timing of the use of these reserves is still to be confirmed, the actual call on earmarked reserves will be reviewed over the budget period.

Movement in reserves during financial year	**Outturn 2016-17 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Opening balances	296.6	239.6	188.6	159.6	137.4	136.4
Transfers to/from:						
Earmarked reserves	-57.0	-51.0	-29.0	-22.2	-1.0	0.0
General reserves	0.0	0.0	0.0	0.0	0.0	0.0
Closing balances	**239.6**	**188.6**	**159.6**	**137.4**	**136.4**	**136.4**

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

Total reserves at end of financial year	**Outturn 2016-17 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Earmarked reserves	193.0	142.0	113.0	90.8	89.8	89.8
General reserves	46.6	46.6	46.6	46.6	46.6	46.6
Total	**239.6**	**188.6**	**159.6**	**137.4**	**136.4**	**136.4**

4.30 MOPAC will review the use of reserves in light of the Mayor's decisions in this budget to allocate additional funding; the outcome of this review will be set out in the MOPAC Reserves Strategy, due to be published by 31 March 2018.

London Fire Commissioner

5.1 The London Fire and Emergency Planning Authority (LFEPA) is currently responsible for fire and rescue services in London and it supports the London boroughs in their emergency planning role. Provisions in the Policing and Crime Act 2017, which will come into effect on 1 April 2018, abolish LFEPA and establish a new corporate body and office known as the London Fire Commissioner (LFC).

5.2 A new London Safety Plan was agreed on 30 March 2017 and sets out how LFEPA, and subsequently LFC, will contribute to making London the safest global city over the next four years. A summary of the key priorities are to:

- use resources in a flexible and efficient way, arriving at incidents as quickly as the Fire Brigade can;
- develop and train staff to their full potential, at the same time transforming the Brigade so that it is a place where people want to work, and have the opportunity to influence how LFEPA, and subsequently LFC, works; and
- plan and prepare for emergencies that may happen and making a high quality, effective and resilient response to them.

Key deliverables

5.3 The key headline targets in the London Safety Plan are to:

- achieve fairness and equality of outcomes for Londoners by having all London boroughs below the national (England) average rate for the occurrence of primary fires;
- dispatch fire engines quickly to emergency incidents after answering a 999 call, with the first and second fire engines arriving quickly at emergency incidents, within six and eight minutes respectively, on average across London; and
- for the first fire engine to arrive within 10 minutes on 90 per cent of occasions after being dispatched and 12 minutes on 95 per cent of occasions after being dispatched.

Gross revenue expenditure

5.4 The Mayor is proposing an increase in the LFC's gross revenue expenditure of £7.1 million, from £428.3 million in the revised LFEPA budget for 2017-18 to £435.4 million in 2018-19. LFC's planned capital expenditure in 2018-19 is to be increased by around £23.7 million to £41.7 million.

Net revenue expenditure and council tax requirement

5.5 The Mayor's proposed revenue budget for LFC is set out on the next page on an objective basis. After deducting fees, charges, and other income from LFC's gross revenue expenditure of £434.9 million, the Mayor proposes that its net expenditure for 2018-19 will be £398.4 million.

5.6 The Mayor is proposing a 2.99 per cent increase in the non-policing element of the Band D GLA precept in 2018-19. This reflects the need to address the additional funding pressures faced by the Brigade in future years, including investment deemed necessary following the fire at Grenfell Tower. As a result, the council tax requirement for the LFC increases from £138.2 million in 2017-18 to £148.0 million in 2018-19.

5.7 This level of increase in council tax applies both to the precept for the 32 London Boroughs (the adjusted basic amount of council tax) and the separate precept for the City of London (the unadjusted amount of council tax), as the Brigade covers the entire GLA area.

5.8 All of the additional income raised from the 2.99 per cent increase in this element of the precept will be allocated to fire and rescue services. However, the amount equivalent to a 1 per cent increase will be offset by a reduction in funding from retained business rates. This business rates funding will be allocated for policing services. Overall, therefore, the LFC will benefit from additional funding equivalent to a 1.99 per cent rise in the non-policing element of the council tax, based on a 2 per cent taxbase growth assumption.

5.9 The Mayor is also proposing that LFC's council tax income increases by 1.99 per cent in 2019-20 and future years. On top of the proposed increase in LFC's income in 2018-19, these increases build LFC's share of council tax income. However, the impact of the assumption to budget for a 2 per cent pay award means that LFC are facing a budget shortfall of £6.6 million in 2020-21 and £12.4 million in 2021-22. The Mayor will continue to press the Home Secretary to increase resources allocated to LFC.

Objective analysis London Fire Commissioner	**Revised Budget 2017-18 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Community safety	33.6	33.6	33.6	35.3	35.5	35.9
Fire fighting and rescue	328.6	323.3	333.7	347.3	350.0	355.1
Fire-fighter pensions	20.8	20.6	20.8	21.0	21.3	21.5
Emergency planning and London Resilience Team	1.1	1.1	1.1	1.1	1.1	1.1
Central services	0.3	0.3	0.1	0.1	0.1	0.1
Savings to be identified	0.0	0.0	0.0	0.0	-6.2	-12.0
Net service expenditure	**384.3**	**378.8**	**389.3**	**404.9**	**401.7**	**401.7**
Capital financing costs	9.5	9.5	9.8	10.4	11.3	12.4
External interest receipts	-0.6	-0.4	-0.4	-0.3	-0.3	-0.3
Net revenue expenditure	**393.2**	**387.9**	**398.6**	**414.9**	**412.7**	**413.7**
Transfer to/(from) reserves	3.0	8.3	0.4	-11.4	-4.2	-0.1
Financing requirement	**396.2**	**396.2**	**399.0**	**403.5**	**408.4**	**413.5**
Specific grants	13.8	13.8	12.2	12.2	12.2	12.2
Retained business rates	244.2	244.2	238.7	235.7	232.7	229.7
Council tax requirement	**138.2**	**138.2**	**148.0**	**155.6**	**163.4**	**171.6**

Explanation of budget changes

5.10 An analysis of the year on year movement in the Mayor's proposed council tax requirement for LFC, compared to the Mayor's revised budget for LFEPA in 2017-18, is set out below. An explanation of the year on year changes is provided in the paragraphs that follow. In addition, Appendix C sets out a subjective analysis of the Mayor's proposed budget for LFC and details of its proposed savings and efficiencies.

Changes in the council tax requirement	**£m**
2017-18 council tax requirement	138.2
Changes due to:	
Inflation	7.8
Savings and efficiencies	-8.5
New initiatives and service improvements	5.3
Change in use of reserves	-2.6
Net Change in Government grants and retained rates	7.0
Other adjustments	0.5
2018-19 council tax requirement	**148.0**

Inflation

5.11 The Budget proposes that LFC make provision for inflation of £7.8 million in 2018-19. Based on the advice of the Commissioner, the Mayor has now decided to budget for a 2 per cent pay award for all Fire Brigade staff from 2018-19 onwards. This is to seek to ensure that all 'blue light' services staff are treated equitably across the GLA Group, whilst recognising that pay negotiations are ongoing. Further, the 2 per cent assumption becomes more tentative in later years.

Savings and efficiencies

5.12 The Budget proposes that LFC make efficiencies of £6.8 million for 2018-19 and savings of £1.4 million. These efficiencies include a reduction to the cost of the Brigade's training contract (£3.3 million) additional Metropolitan Fire Brigade Act income (£2.6 million), the disbanding of the emergency services network team (£0.5 million), additional rental income (£0.5 million) at its Union Street headquarters and an efficiency on personal protective equipment (£0.3 million) following a successful joint procurement with other Fire and Rescue Authorities. There is also a temporary reduction in costs of £1.4 million due to the forecast vacancy margin from staff vacancies.

New initiatives and service improvements

5.13 The Budget proposes that LFC budget for £5.3 million of growth items in 2018-19. The largest of items these reflects the resources required to implement the outcome of an initial review by the Commissioner of the Grenfell Tower fire and terrorist incidents earlier in 2017-18. As a result of that review, LFEPA approved total ongoing spend of £5.8 million, of which it is forecast that £4.4 million will be spent in 2018-19.

5.14 In addition to the spending outlined above, the budget also proposes the establishment of a team for the replacement of Breathing Apparatus project (£0.3 million) and for an additional resource to support the property services major project team (£0.1 million).

Change in use of reserves

5.15 The 2017-18 revised budget planned a £3.0 million transfer to reserves; the 2018-19 budget proposes a transfer to reserves of £0.4 million; a net change in the use of reserves of £2.6 million.

Net change in Government grants and retained rates

5.16 The Mayor is proposing that LFC will receive £239.3 million in funding via retained business rates; this reduction from 2017-18 levels is offset by the increase in council tax income. In addition, LFC is forecast to receive £12.2 million of specific government grants, a reduction of £1.5 million compared to 2017-18. Specific grants are assumed to remain at this level in future years.

Other adjustments

5.17 The Budget proposes other minor adjustments of £0.5 million in 2018-19.

Equalities

5.18 London Fire Brigade (LFB) is in Year 2 of its 10-year Inclusion Strategy. LFB continues to work closely with the GLA Group on the implementation of the Mayor's Diversity and Inclusion Strategy and commitment to Economic Fairness, and progress on these are now reported through LFB's Inclusion Board, formed to provide ongoing scrutiny of the Inclusion Strategy. The equality impact of the budget submission has been considered in relation to the service LFB provides to Londoners and to the staff it employs.

Environmental impact

5.19 The savings proposals have been reviewed for sustainability and environmental implications. LFC will continue to monitor performance through its ISO 14001 certified Environmental Management System and Sustainable Development Annual Reports. As a member of the GLA Group, LFEPA supports the measures set out in the draft London Environment Strategy, such as adopting the GLA's Responsible Procurement guidance, reducing emissions from its fleet, and reducing waste and increasing recycling rates in operations.

Reserves

5.20 At 31 March 2018, LFEPA's general reserves are expected to total £13.8 million and are forecast to remain at the same level in each of the following financial years.

5.21 It is forecast that LFC will hold £31.6 million of earmarked reserves at 31 March 2018; these reserves will initially increase in 2018-19 and then decrease in each of the following years to £16.2 million by the end of 2021-22, as the budget flexibility reserve is fully drawn down. The expected movements in reserves over the planning period are set out in the table overleaf.

Movement in reserves during financial year	**Outturn 2016-17 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Opening balances	33.0	37.1	45.3	45.8	34.4	30.1
Transfers to/(from):						
Earmarked reserves	-3.5	16.0	0.4	-11.4	-4.2	-0.1
General reserves	7.5	-7.7	0.0	0.0	0.0	0.0
Closing balances	**37.1**	**45.3**	**45.8**	**34.4**	**30.1**	**30.0**

5.22 The expected total reserves at the end of each financial year are summarised below. The unused earmarked reserves as at the end of 2021-22 include £5.7 million of funding that was put aside for additional resilience requirements as part of the initial review following the Grenfell Tower fire and terrorist incidents. It also includes £3.7 million for London Safety Plan 2017 implementation activities. These amounts are expected to the utilised over the coming four years but the exact timing is still to be confirmed. The actual call on these reserves will be reviewed over the planning period.

Total reserves at end of financial year	**Outturn 2016-17 £m**	**Forecast 2017-18 £m**	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
Earmarked reserves	15.6	31.6	32.0	20.6	16.4	16.2
General reserves	21.5	13.8	13.8	13.8	13.8	13.8
Total	**37.1**	**45.3**	**45.8**	**34.4**	**30.1**	**30.0**

Transport for London

6.1 Transport for London (TfL) is responsible for the planning, delivery and day-to-day operation of the Capital's public transport system, including London's buses, Underground and Overground, the Docklands Light Railway (DLR), Tramlink and London River Services. It is also responsible for managing the Congestion Charge, maintaining London's main roads and traffic lights, regulating taxis, making London's transport more accessible and promoting walking and cycling initiatives.

Key deliverables

6.2 Full details of TfL's priorities are set out in its Business Plan which was published in December 2017. The key deliverables over the next five years include:

- making transport more affordable by keeping TfL fares at current levels over the Mayor's term, protecting concessions and extending the new Hopper fare to unlimited journeys in any one hour;
- investing a record £2.2 billion in street schemes and initiatives designed to make walking, cycling and public transport safer, cleaner and more appealing, including funding eight new Cycle Superhighways and transforming major junctions like Waterloo IMAX, Old Street roundabout, Lambeth Bridge north and south, and Highbury Corner;
- developing Crossrail 2 and the Silvertown tunnel, and working towards releasing TfL land to provide new affordable housing, workplaces and offices across the city;
- introducing step-free access at five more London Underground stations in 2018-19 and work will be under way at a further 13;
- continuing significant funding for London's boroughs including through the Liveable Neighbourhoods programme, to transform town centres and neighbourhoods so they are attractive places to walk, cycle and spend time;
- completing and opening services on the Elizabeth line; and
- reducing the gender pay gap, and improving diversity in senior management roles, by setting more ambitious targets. More opportunities for career progression will be made available and staff experiences of TfL will be measured, with the aim of eradicating any disparity.

Gross revenue and capital expenditure

6.3 Net services expenditure rises in 2018-19 by £156 million, compared to the revised 2018-19 budget, in line with the introduction of Elizabeth line services and after allowing for growth in commercial revenue achieved by delivering improvements to TfL's property portfolio and media income.

6.4 The Mayor's proposed budget for TfL is summarised below for the years 2018-19 through to 2021-22 and the proposed Capital Plan is set out in Section 9 as part of the Group-wide Capital Spending Plan (CSP).

Net revenue expenditure and council tax requirement

6.5 The Mayor's forecast for TfL's gross revenue expenditure for 2018-19 is £7,103.0 million. After deducting passenger and commercial income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net revenue expenditure for 2018-19 is £1,002.5 million. An analysis of the revenue budget by service area is summarised in the table below.

6.6 The Mayor is proposing that TfL's council tax requirement for 2018-19 remains at £6 million. The balance of its net revenue expenditure, after application of £49.4 million of specific grants, is financed by £947.1 million of resources allocated by the Mayor through business rates retention. This includes a one-off £75 million committed payment to compensate TfL for the £75 million reduction in its 2015-16 business rates allocation for its share of the GLA's cumulative business rate deficit at the end of 2014-15. There is no revenue grant for 2018-19 from the Department of Transport (DfT).

6.7 TfL is increasingly covering its operating costs from fares and other income and have set the financial objective of breaking-even on the cost of day-to-day operations, including the costs of financing, in 2021-22. Its operating budget is summarised in the table overleaf.

Explanation of budget changes

6.8 An analysis of the year on year movements in the council tax requirement, comparing the revised 2017-18 budget with the proposed 2018-19 budget, is set out below and an explanation of each change is detailed in the paragraphs that follow.

Changes in the council tax requirement	**£m**
2017-18 council tax requirement	6.0
Changes due to:	
Inflation	157.3
Savings	-176.7
Passenger and commercial revenue and other income	-52.3
New initiatives and service improvements	183.6
Debt servicing	44.1
Revenue deficit	-312.0
Government and other revenue grants	248.8
Retained business rates	-92.8
2018-19 council tax requirement	**6.0**

Inflation

6.9 The Budget proposes that TfL's net costs will increase by £157.3 million as a result of inflation. This represents 2.2 per cent of operating and financing costs.

Objective analysis TfL	Revised Budget 2017-18 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Income						
Passenger income	-4,777.8	-4,637.7	-4,793.5	-5,155.6	-5,721.1	-6,007.5
Congestion charge	-281.9	-244.4	-259.6	-248.1	-263.9	-271.1
Other income	-490.2	-446.9	-516.7	-610.8	-694.3	-959.6
Interest income	-5.2	-7.3	-10.8	-11.7	-12.8	-15.8
Subtotal income	**-5,555.1**	**-5,336.3**	**-5,580.6**	**-6,026.2**	**-6,692.1**	**-7,254.0**
Operating costs						
London Underground	2,186.8	2,120.4	2,111.4	2,047.1	2,052.5	2,012.8
Buses	2,089.9	2,090.0	2,094.0	2,091.6	2,139.7	2,209.9
Streets	541.0	511.1	530.2	533.0	533.9	532.2
Rail	457.1	447.4	506.6	524.0	534.4	545.5
Elizabeth line	127.9	127.7	331.0	467.3	518.3	538.1
Other Operations	994.9	929.6	994.3	988.7	948.1	935.7
Commercial Development	57.5	51.5	51.8	46.0	41.1	41.7
Subtotal operating costs	**6,455.1**	**6,277.7**	**6,619.3**	**6,697.7**	**6,768.0**	**6,815.9**
Other						
Third-party contributions	-40.3	-36.7	-67.1	-37.6	-38.2	-22.9
Debt servicing	450.4	440.8	494.5	523.0	555.6	590.6
Subtotal other	**410.1**	**404.1**	**427.4**	**485.4**	**517.4**	**567.7**
Net service expenditure	**1,310.1**	**1,345.5**	**1,466.1**	**1,156.9**	**593.3**	**129.6**
Revenue surplus / (deficit)	-151.6	-190.0	-463.6	-265.2	267.4	731.1
Financing requirement	**1,158.5**	**1,155.5**	**1,002.5**	**891.7**	**860.7**	**860.7**
GLA Transport grant from Government	228.0	228.0	0.0	0.0	0.0	0.0
Other Specific grants	70.2	67.2	49.4	31.4	0.4	0.4
Retained business rates	854.3	854.3	947.1	854.3	854.3	854.3
Council tax requirement	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**

Savings

6.10 TfL is continuing with the comprehensive review of the organisation and changing the way it works to make sure it delivers the Mayor's vision for London and continues to deliver against the financial objective of breaking-even on the cost of day-to-day operations, including financing costs, by 2021-22.

6.11 One year into its cost reduction programme TfL has successfully delivered against budgeted savings in 2016-17 and will continue to deliver in 2017-18 and onwards from 2018-19 having identified opportunities including receiving better value from the supply chain, consolidating buildings and reviewing organisational structure, while protecting safety, services and reliability.

6.12 TfL will reduce costs by a further £177 million in 2018-19. This is incremental to the savings already achieved in 2016-17 and forecast to be delivered in 2017-18. The programmes embedded in the business, which are all cashable, include:

- London Underground delivering £22 million through their savings plan, with the target of having a railway which costs £2 billion by 2021-22;
- Surface Transport delivering £88 million through its savings plan, with the target of implementing an integrated healthy streets programme, continuing to provide subsidy for buses and streets and bringing the rail and other divisions to breakeven; and
- Corporate and TfL wide savings delivering £67 million, with professional services capping operating costs to a target of £0.5 billion by 2021-22.

6.13 Future years planned and identified incremental savings are £303.0 million in 2019-20, £302.6 million in 2020-21 and £165.6 million in 2021-22. These are planned to come from areas including continuing modernisation of London Underground, exiting a private partnership maintenance contract; reviewing, retendering and re-negotiating bus contracts and consolidating TfL's head office accommodation, vacating older buildings and co-locating staff to a new hub in Stratford.

Passenger and commercial revenue and other income

6.14 The Mayor announced an overall freeze on TfL fares to 2020. Single bus fares, single pay as you go fares on the Tube and DLR and Santander cycle hire, will be held at current prices. This will put more than £200 back into the pockets of Londoners by 2020 and encourage more people to use the network.

6.15 In September 2016, the Hopper fare was introduced, allowing customers to make an extra bus journey free, as long as it is within one hour of touching in on the first bus. In January 2018 the Hopper fare was extended to allow unlimited bus and trams transfers within the hour.

6.16 All TfL travel concessions will be protected during the Mayor's term, providing more than £300 million of free or discounted travel every year to children, people over 60, those on income support, and other socially disadvantaged groups.

New initiatives and service improvements

6.17 The Budget includes £183.6 million of new initiatives and service. This predominately relates to the commencement of journeys on the Elizabeth line from Paddington to Abbey Wood and Heathrow Terminal 4.

6.18 Following the huge success of Night Tube services, which started last year, London Overground night services started operating on the route between New Cross Gate in South East London and Dalston Junction in East London. The service will be extended to Highbury and Islington in North London next year.

Debt servicing

6.19 Debt servicing increases by £44.1 million in 2018-19 compared to the 2017-18 budget, due principally to increasing cumulative debt. Borrowing is raised to finance TfL's investment programme including capacity and station upgrades on the Underground and rail networks and investments in cycling infrastructure schemes.

Revenue surpluses and deficits

6.20 Although the above table might be seen to imply a temporary transfer of resources identified to support capital investment to support revenue expenditure, it is important to stress that over the period of TfL's Business Plan all capital resources will be used to support capital investment. Therefore, there is no overall cross-subsidisation of revenue expenditure from capital resources. Further, local authority accounting rules require TfL and other public bodies to account for certain items that are capital in nature as revenue expenditure. One example is Local Investment Programme (LIP) programmes for London Boroughs funded through TfL's operating expenditure where TfL is required to account for this as revenue expenditure but Boroughs classify this resource as capital. Another example is the bus contracts where capital investment in vehicles, premises and plant made by bus operators appears as operating expenditure for TfL as these assets are owned by the bus operators.

Government revenue grants

6.21 TfL's overall income from Government grants will decrease by £248.8 million in 2018-19 compared to the revised 2017-18 budget. The general element of TfL's transport grant has now ceased, meaning London is one of the only major cities in the world to operate a public transport network without government subsidy to cover day-to-day running costs. £49.4 million will be received in specific grant income for revenue purposes.

6.22 The Investment Grant to be passported under the 2017-18 business rate devolution pilot is planned to be paid at the level previously approved with HM Treasury in the 2015 autumn statement until 2020-21. The allocation for 2018-19 is £976 million and this is reflected in TfL's capital plan for that year that can be found in Appendix D.

Retained business rates

6.23 TfL's business retained business rates allocation in 2018-19 has been increased by a one-off £92.8 million. This reflects the committed payment to TfL of the £75 million that was removed from its 2015-16 business rates allocation for its share of the GLA Group's business rates deficit from 2013-14 and 2014-15. Effectively this reflects a delayed committed payment to TfL that has been implemented now that the GLA is forecast to reach a cumulative business rates surplus by the close of 2017-18. This payment also ensures that TfL's general grant, as set out in its Settlement from the Government, is fully paid.

6.24 In light of representations made by London Boroughs and Assembly Members, the Mayor is allocating an additional £11.6 million to TfL in 2018-19 for boroughs to invest in local projects that support the Healthy Streets Approach set out in the Mayor's draft Transport Strategy. This additional sum will be spread between the boroughs using the existing needs formula and equates, on average, to an additional £350,000 per borough. Plans for future years will be considered as part of TfL's 2018 business planning process. Provision of £6 million additional funding compared to the draft budget is also made, to ensure that toilets are available to bus drivers on every route in London.

Equalities

6.25 At the heart of TfL's 2017 Business Plan is a commitment to create a more equal and inclusive London where, regardless of background, all customers are able to access the transport network and be treated with dignity and respect. All groups will benefit from the overall Business Plan and the specific projects, outcomes and improved services which this will deliver. The key themes in the 2017 TfL Business Plan will be underpinned by TfL's equality objectives as published in Action on Equality: TfL's commitments to 2020.

Environmental impact

6.26 TfL plays an important role in helping the Mayor to achieve his vision for London whilst protecting and enhancing the environment. The Mayor's draft Transport Strategy and draft London Environment Strategy (LES), published in 2017, set out TfL's actions to support the Mayor's environmental goals. These include delivery of schemes to improve air quality such as the T-charge, Ultra Low Emission Zone (ULEZ) and cleaning up the taxi and bus fleets; increasing the level of low carbon energy generation in London; pursuing options to power services through Power Purchase Agreements with renewables outside of London, retrofit TfL buildings to reduce energy use and carbon emissions; coordinating measures to increase the resilience of transport in London to the impacts of climate change; and supporting additional green infrastructure and sustainable drainage.

Reserves

6.27 At 31 March 2018 TfL's general reserves balance is expected to be £150.0 million. This balance is forecast to remain constant through to 31 March 2022. In addition, TfL estimates that it will hold £698.8 million of earmarked reserves at 31 March 2018 which is estimated to increase to £718.2 million by 31 March 2022 based on TfL's planned profile of income and expenditure.

6.28 Earmarked reserves increase in 2018-19, as a result of the timing of property and asset receipts. These are then drawn down over the following years to fund the investment programme. Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended on a number of capital programmes as part of the Investment Programme. As the earmarked reserves set out in the table below are held for capital projects, the forecast reserve movements do not appear in the operational budget table under paragraph 6.7.

6.29 TfL maintains a general fund to ensure liquidity and protect from short-term fluctuations in cash requirements.

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

Movement in reserves during financial year	Outturn 2016-17 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Opening balances	1,425.1	1,212.4	848.8	1,294.9	814.9	627.3
Transfers to/from:						
Earmarked reserves	-212.7	-363.6	446.1	-480.0	-187.6	240.7
General reserves	0.0	0.0	0.0	0.0	0.0	0.0
Closing balances	**1,212.4**	**848.8**	**1,294.9**	**814.9**	**627.3**	**868.0**

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

Total reserves at end of financial year	Outturn 2016-17 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Earmarked reserves	1,062.4	698.8	1,144.9	664.9	477.3	718.0
General reserves	150.0	150.0	150.0	150.0	150.0	150.0
Total	**1,212.4**	**848.8**	**1,249.9**	**814.9**	**627.3**	**868.0**

London Legacy Development Corporation

7.1 The London Legacy Development Corporation ('the Legacy Corporation') is responsible for promoting and delivering physical, social, economic and environmental regeneration in the Queen Elizabeth Olympic Park (QEOP) and surrounding area. In particular, the Legacy Corporation aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control and supporting and promoting the aim of increased social mobility in surrounding communities.

7.2 Since the London 2012 Olympic and Paralympic Games, the Legacy Corporation has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. The Corporation also works in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. Two such housing schemes are under contract, one at Chobham Manor and one at East Wick and Sweetwater. Further work includes delivering the Cultural and Education District (CED), new social and transport infrastructure, and working with the host boroughs and other partners to create economic opportunity and support local people and businesses, as they seek to access it.

Key deliverables

7.3 During 2018-19 the LLDC's revenue and capital budgets will be deployed to deliver the following objectives:

- start on site at East Wick and Sweetwater;
- initiate the procurement of a Joint Venture (JV) partner to deliver the Stratford Waterfront residential development;
- deliver the QEOP 'East Works' jobs, skills and apprenticeships programme;
- achieve 6 million visitors to the Park;
- Stratford Waterfront planning application submitted;
- final business case for Cultural and Education District approved by HM Government;
- development of smart mobility living lab on the Park and in Greenwich (funded by the Government's Connected and Autonomous Vehicle test bed funding);
- work towards improved financial sustainability of the Stadium; and
- commence public consultation on Local Plan review.

Cultural and Education District (CED)

7.4 Details of this programme are included in the final draft Capital Spending Plan in Section 9.

London Stadium

7.5 The Mayor announced on 1 December 2017 that LLDC has taken full control of the stadium. Funding proposals for the Stadium operations, lifecycle and restructuring are included in the final draft Capital Spending Plan at Section 9.

Gross revenue and capital expenditure

7.6 Gross revenue expenditure in 2018-19 is budgeted to be £39.0 million including estimated capital financing costs of £13.2 million, £25.8 million net of financing costs.

7.7 Gross revenue expenditure has decreased by £2.0 million from 2017-18 revised budget due to gross savings, efficiencies and other expenditure reductions of £3.0 million and an increase of £1.0 million in financing costs

7.8 The proposed capital programme for the LLDC for 2018-19 totals £98.2 million, incorporating £12.5 million of rollover from the 2017-18 outturn. The capital programme is set out in Section 9 and in more detail in Appendix E. The increase is due to greater expenditure on the stadium and a change in the expenditure profile for the CED. Its funding is a key component in the GLA: Mayor capital programme and its Capital Strategy – see Section 9.

Net revenue budget and council tax requirement

7.9 Net revenue expenditure in 2018-19 is budgeted to be £33.0 million, £19.8 million net of financing costs.

7.10 Net revenue expenditure has decreased by £3.4 million from the 2017-18 revised budget due to net savings, efficiencies other cost and revenue movements of £4.4 million and by a £1.0 million increase in financing costs. Its revenue budget is summarised in the table overleaf.

Explanation of budget changes

7.11 Changes to the LLDC's budget predominantly reflect the changing scope of the organisation's work as the Corporation matures, the cost of managing the Park and venues and the resources to manage the business alongside targeted savings and efficiencies. An analysis of the year on year movement in the council tax requirement is set out below.

Changes in the council tax requirement	**£m**
2017-18 council tax requirement	0.0
Changes due to:	
Inflation	0.2
Savings and efficiencies	-4.8
Net change in existing service expenditure	0.2
Net change in GLA funding	4.4
2018-19 council tax requirement	**0.0**

Inflation

7.12 This is estimated at £0.2 million and is mainly due to the inflationary uplift on the Estates and Facilities Management contract, which accounts for c£7.5 million of revenue costs, and pay inflation on the £8.3 million salary budget.

Objective analysis LLDC	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Park Operations and Venues, and Trading	10.5	8.8	9.6	9.8	10.3	10.3
Developments	0.1	0.0	0.1	0.1	0.1	0.1
Regeneration	4.5	4.4	2.4	2.4	2.2	2.3
Corporate	10.5	10.3	10.3	10.2	9.9	10.1
Planning Authority	2.3	2.8	2.8	2.4	2.0	2.1
Irrecoverable VAT and contingency	0.9	0.8	0.6	0.6	0.6	0.5
Financing costs	12.2	11.5	13.2	14.3	15.8	16.7
Income/savings to be identified	0.0	0.0	0.0	0.0	-3.9	-2.5
Total expenditure	**41.0**	**38.6**	**39.0**	**39.8**	**37.0**	**39.6**
Park, Operations and Venues	-3.0	-3.9	-4.1	-3.6	-3.7	-5.3
Developments	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5
Regeneration	-0.2	-0.2	0.0	0.0	0.0	0.0
Corporate	-0.1	-0.3	-0.1	-0.1	-0.1	-0.1
Planning Authority	-1.1	-1.6	-1.7	-1.2	-1.0	-1.0
Total income	**-4.5**	**-6.1**	**-6.0**	**-5.0**	**-4.9**	**-6.9**
Net expenditure	**36.5**	**32.5**	**33.0**	**34.8**	**32.1**	**32.7**
GLA funding for core activities	13.2	13.2	0.0	0.0	0.0	0.0
Business rates	0.0	0.0	3.6	20.5	16.3	16.0
Mayoral Development Corporation Reserve	11.1	7.8	16.2	0.0	0.0	0.0
GLA funding for financing costs	12.2	11.5	13.2	14.3	15.8	16.7
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Savings and efficiencies

7.13 Savings and efficiencies in 2016-17 and forecast for 2017-18 are higher than budgeted largely due to reductions in subsidy on the London Aquatics Centre (following the introduction of measures to reduce utility costs) and other trading venues, the removal of subsidy for the ArcelorMittal Orbit (following the introduction of a slide which increased visitor numbers), and reductions in salary costs. Additional savings and efficiencies of £4.8 million have been built into the 2018-19 budget, including the following: improved commercial and venue performance; the transfer of activities of the Paralympic, equalities and inclusion team and of communities and business engagement programmes; socio-economic and professional fee budget savings.

Net change in existing service expenditure

7.14 There is a net £0.2 million committed growth in 2018-19.

Change in GLA funding

7.15 The LLDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve. From 2018-19 onwards, funding for LLDC is identified in the objective analysis table above by its sources of funding, business rates and Mayoral Development Corporation Reserve. Core GLA grant funding in 2018-19 and 2019-20 is £16.8 million, reducing to £16.0 million in 2020-21.

7.16 The LLDC's reserves have been subsumed into the GLA. The GLA will fund the historic aggregate underspends carried forward of up to £7.0 million over the period 2018-19 to 2020-21, including £3.0 million to be applied in 2018-19, based on the current outturn forecast for 2017-18. There are current estimated shortfalls in savings and efficiencies of £3.9 million and £2.5 million in 2020-21 and 2021-22 respectively. In light of LLDC's delivery of savings and efficiencies, GLA funding for these years will be re-assessed at the time.

Equalities

7.17 The Cultural and Education District is a major part of the transformation programme which will touch the lives of everyone who visits, lives and works in east London. It will create a new powerhouse for innovation and creativity through a unique collaboration between world-leading universities, arts and culture bodies, opening up opportunities for all. In addition, the budget promotes equality by putting in place the infrastructure required to create more affordable housing within the developments at Rick Roberts Way and Pudding Mill Lane which have yet to be contracted.

Environmental impact

7.18 The Legacy Corporation's policy is that the Park will use the best of the Games' infrastructure, innovation and inspiration to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure. The Park was conceived as an environmental showcase and will continue to strive for environmental excellence. The Corporation has set a wide range of environmental performance measures and publishes an annual sustainability report. As a member of the GLA Group, the LLDC supports the measures in the draft LES such as increasing access to tap water, reducing emissions, and reducing the LLDC's waste and increasing recycling rates.

Reserves

7.19 As stated above, historic LLDC reserves have been subsumed into the GLA. The GLA will provide additional funding in lieu of these, including an estimated £3.0m of underspend carried forward in 2018-19.

Old Oak and Park Royal Development Corporation

8.1 The Mayoral Development Corporation (MDC) for the Old Oak and Park Royal area came into operation on 1 April 2015. The new High Speed 2 (HS2), Crossrail and Great Western Mainline stations at Old Oak Common will provide the impetus for a once in a lifetime regeneration opportunity in that part of West London. The OPDC, utilising its planning and regeneration powers, will ensure that all these benefits are captured and maximised to deliver much needed jobs and homes in London.

Key deliverables

8.2 Public consultation on OPDC's Local Plan was completed in September 2017, with the intention to submit in 2018. The Local Plan aims to:

- create a new urban neighbourhood at Old Oak, supporting a minimum of 24,000 new homes and an additional 1,500 in non-industrial locations in Park Royal;
- support the creation of 55,000 new jobs at Old Oak and a further 10,000 at Park Royal;
- protect and enhance Park Royal as a strategic industrial location;
- ensure new development safeguards at nearby amenity assets such as Wormwood Scrubs and the Grand Union Canal; and
- work with communities, residents and businesses to realise the strategy.

8.3 OPDC are also finalising their Master planning and starting to progress their business plan.

Gross revenue and capital expenditure

8.4 The Mayor's proposed gross revenue expenditure for the OPDC in 2018-19 is £7.9 million.

Net revenue budget and council tax requirement

8.5 The table overleaf sets out the proposed budget for OPDC on an objective basis.

Objective analysis OPDC	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
CEO Office	0.9	0.8	0.8	0.8	0.8	0.8
Planning	2.4	2.2	2.7	2.3	2.3	2.0
Technical	3.1	3.1	1.9	1.9	1.9	1.9
Corporate Operations	2.4	2.3	2.5	2.5	2.4	2.4
Total expenditure	**8.8**	**8.4**	**7.9**	**7.5**	**7.4**	**7.1**
Planning application income	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Income	0.0	-0.1	-0.8	-0.4	-0.3	-0.0
Total income	**-0.3**	**-0.4**	**-1.1**	**-0.7**	**-0.6**	**-0.3**
Net expenditure	**8.5**	**8.0**	**6.8**	**6.8**	**6.8**	**6.8**
GLA funding for core activities	2.5	2.5	0.0	0.0	0.0	0.0
Business rates	0.0	0.0	5.1	6.8	6.8	6.8
Mayoral Development Corporation Reserve	6.0	5.5	1.7	0.0	0.0	0.0
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

*OPDC's original 2017-18 budget was £6.9m. One-off sums of £0.8m for OPDC's 2016-17 underspend and £0.8m from the Mayor's contingency were allocated in OPDC's Revised 2017-18 Budget.

Explanation of budget changes

8.6 Most changes to the OPDC's budget reflect the changing scope of the organisation's work during its start-up period. An analysis of the year on year movement in the council tax requirement, comparing the revised 2017-18 budget to the proposed 2018-19 budget, is set out below.

Changes in the council tax requirement	£m
2017-18 council tax requirement	0.0
Changes due to:	
Savings and efficiencies	-2.2
New initiatives and service improvements	0.6
Net change in GLA funding	1.6
2018-19 council tax requirement	**0.0**

Savings and efficiencies

8.7 The Budget proposes cashable savings totalling £0.6 million and the impact of the GLA's one-off funding of £1.6 million in 2017-18. Housing and Land resources in the GLA are to be used to help take forward OPDC's business plan.

New initiatives and service improvements

8.8 The Budget proposes new initiatives and service improvements totalling £0.5 million to take forward the Corporation's key deliverables, specifically support required to focus on the early delivery of housing across Old Oak North, prioritising the delivery of infrastructure while putting in place a credible longer-term plan for future development of sites across Old Oak South.

Change in GLA funding

8.9 In 2017-18 OPDC is in receipt of one-off funding from the GLA of £1.6 million, consisting of a carry forward of OPDC's 2016-17 underspend of £0.8 million and a planned drawing of £0.8 million on the contingency held by the GLA in the MDC.

Equalities

8.10 Equality for all is at the centre of the corporate strategy of OPDC, which is to improve lives through employability, improved homes and exemplar neighbourhoods. The OPDC's approach includes creating a diverse and inclusive workforce through measures such as the development of a clear action plan to achieve the objective and through monitoring, analysing and publishing workforce equalities data. The OPDC also promotes regeneration and community engagement through measures such as providing training and skills development for residents and businesses; developing volunteering and mentoring opportunities for residents and communities; and reducing the impact of health inequalities by maximising health and sport facilities in the development area.

Environmental impact

8.11 The OPDC area will benefit from a highly connected network of new and improved streets and open spaces, which will encourage exemplary walking and cycling. Located at the only point where HS2 meets Crossrail, Old Oak and Park Royal will have one of the most connected 'hubs' on the rail network in the country. With a redesigned and improved local bus network, and a significantly transformed road network, sustainable transport will be embedded at the heart of the future masterplan. As a member of the GLA Group, the OPDC supports the measures in the draft LES such as increasing access to tap water, reducing emissions, and reducing the OPDC's waste and increasing recycling rates.

Reserves

8.12 The OPDC has no reserves as its operational expenditure is funded by the GLA through business rates and balances held on the Mayoral Development Corporation Reserve, which is held with the GLA: Mayor component budget. The balance of the contingency for activity in the OPDC area is included in the MDC Reserve.

Final Draft Capital Spending Plan and Borrowing Limits

9.1 The Mayor is required to prepare a Capital Spending Plan (CSP) every year for each of the GLA's functional bodies. Before issuing his final plan, he is required to consult with the Assembly and each functional body under section 123 of the GLA Act. This section sets out the final draft capital spending plan. Even though the statutory timetable for the submission of the CSP is different from the requirements for the revenue budget, the same timeframe is adopted to ease consultation. The Mayor is also required to set the borrowing limits for the GLA Group – the proposals for which are set out in Appendices A to F for the GLA and each functional body.

Capital Strategy

9.2 The Government and the Chartered Institute for Public Finance and Accountancy (CIPFA) are proposing changes to how authorities must report their Capital Spending Plans. These include a requirement to set out a Capital Strategy and for the Chief Financial Officer to report on the risks arising from this strategy. The changes are expected to include more flexibility in reporting on the Prudential Code which will be set out in more detail in the Authority's Treasury Management Strategy, following publication of final guidance from CIPFA. These changes are to take effect for 2018-19 and set out below is an initial response, together with more detail for each member of the GLA Group. In future years the Capital Spending Plan and Capital Strategy will be integrated.

9.3 A key element of the GLA's Capital Strategy is its support for the London Legacy Development Corporation and its risk exposure as the LLDC's principal funder and 'lender of last resort.' The development of Queen Elizabeth Olympic Park requires upfront investment which will generate receipts over the long term. Hitherto the GLA has therefore provided LLDC's net capital requirement as loan funding on the basis that it will be fully repaid from development receipts.

9.4 Over the last year LLDC has undertaken a detailed review of its long-term delivery plans and the underlying assumptions, including projections of housing price and tender price inflation. There are also increases in the net capital requirement driven largely by additional spend on the Stadium, reductions in receipts on the Cultural and Education District (CED) and projection of corporation tax. If the whole of this capital requirement was to be met from borrowing the peak level of LLDC debt would increase to an estimated £822 million in 2022-23 - a level that the LLDC and GLA do not consider to be prudent.

9.5 To reduce the level of debt, the Mayor's final draft capital spending plan therefore includes changes to the way LLDC is funded by the GLA. Firstly, as the GLA is taking the risk of cost overruns on the CED project a tranche of the funding for this project will be via grant rather than loan as general prudent management. Secondly, the joint ventures that LLDC would have invested in, will now be undertaken directly by the GLA through the GLA's Land and Property company given that there is an element of risk which it would not be appropriate to increase LLDC's outstanding debt level for. The estimated peak level of borrowing to LLDC from these proposals would reduce to £591 million. However, in light of the potential volatility of receipts to repay debt the GLA proposes to restrict the borrowing limit to a maximum of £520 million. This limit will be kept under review and updated annually.

9.6 It is estimated there will be sufficient resources available within GLA Land and Property (GLAP) to make the equity investments in the joint ventures when these need to be undertaken. The grant funding element of CED could be funded as required from GLA business rates income and the additional grant required to ensure LLDC does not breach the borrowing limit of £520 million from the additional specific provision for repayment of LLDC debt and grant payments in the GLA: Mayor's budget. There is provision of £19.5 million in 2017-18; £14.9 million in 2018-19; £12.8 million in 2019-20; and £11.8 million per annum thereafter to help manage these commitments.

Key deliverables

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

- continue to tackle London's housing crisis, using the housing grant of £3.15 billion to support delivery starts of 90,000 affordable homes by 2021;
- fund new and refocussed projects to promote and enhance London's economic strengths, further social integration and to improve London's environment;
- deliver the transformation of policing's IT infrastructure and estate;
- deliver a programme to replace the London Fire Brigade's fleet including extended aerial appliances identified as required in the initial review post Grenfell and terrorist incidents;
- invest a record £2.2 billion in street schemes and initiatives designed to make walking, cycling and public transport safer, cleaner and more appealing; and
- create an arts and educational district on the Olympic Park site that brings together world class cultural and education institutions.

Final draft capital spending plan

9.8 Set out overleaf is a summary of the Mayor's final draft Capital Spending Plan for 2018-19 which shows the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act. Further details on the GLA and each functional body's draft plan are set out in Appendices A to F. More details of the key deliverables are set out in this section under each member of the Group and in the relevant Appendices.

Final Draft GLA Group statutory capital spending plan 2018-19 under Section 122 of the GLA Act

Section		GLA	MOPAC	LFC	TfL	LLDC	OPDC
		£m	£m	£m	£m	£m	£m
	Total external capital grants	487.0	61.7	0.0	1,182.2	0.8	0.0
	Opening balance of capital receipts	3.6	222.2	3.5	0.0	0.0	0.0
	Total capital receipts during the year	32.4	152.5	36.7	874.6	54.3	0.0
A	**Total capital grants/ receipts**	**523.0**	**436.4**	**40.2**	**2,056.8**	**55.1**	**0.0**
	Minimum s.120(1) grant	0.0	0.0	0.0	0.0	0.0	0.0
	Total borrowings during the year	336.0	234.4	1.5	800.7	43.1	0.0
	Total credit arrangements during the year	0.0	0.0	0.0	0.0	0.0	0.0
B	**Total borrowings and credit arrangements**	**336.0**	**234.4**	**1.5**	**800.7**	**43.1**	**0.0**
	Total capital expenditure anticipated during the year	858.9	670.8	41.7	2,467.5	98.2	0.0
	Total amounts which may be treated as borrowing in the year because of section 8(2) of the Local Government Act 2003	0.0	0.0	0.0	0.0	0.0	0.0
C	**Total capital spending for the year**	**858.9**	**670.8**	**41.7**	**2,467.5**	**98.2**	**0.0**
	Funding: capital grants	487.0	56.3	0.0	1,255.8	0.8	0.0
	Funding: capital receipts/reserves	35.8	374.7	40.2	874.6	54.3	0.0
	Funding: borrowings and credit arrangements	336.0	234.4	1.5	800.7	43.1	0.0
	Funding: revenue contributions	0.0	5.4	0.0	-463.6	0.0	0.0
D	**Total funding**	**858.9**	**670.8**	**41.7**	**2,467.5**	**98.2**	**0.0**

N.B. Estimates of capital receipts are those made by functional bodies

9.9 Set out below is a summary of the Mayor's final draft Capital Spending Plan to 2020-21 and how this is financed. Overall the GLA Group will be investing around £714.0 million less in 2018-19 than in 2017-18. The majority of this change reflects the tailing off of Crossrail construction costs offset by further investment in the Met's transformation programme.

Summary of the capital plan 2017-18 to 2021-22	**2017-18 Forecast £m**	**2018-19 Plan £m**	**2019-20 Plan £m**	**2020-21 Plan £m**	**2021-22 Plan £m**	**5 year total £m**
GLA	961.3	858.9	1,020.3	1,276.8	1,453.4	5,570.7
MOPAC	231.0	670.8	408.0	270.6	140.6	1,721.0
LFC	18.0	41.7	41.2	22.5	21.4	144.8
TfL	3,544.4	2,467.5	2,041.3	1,860.1	1,862.4	11,775.7
LLDC	96.4	98.2	91.6	170.1	185.0	641.3
OPDC	0.0	0.0	0.0	0.0	0.0	0.0
Total capital expenditure	**4,851.1**	**4,137.1**	**3,602.4**	**3,600.1**	**3,662.8**	**19,853.5**

Greater London Authority

9.10 The key elements of the GLA's 2018-19 capital plan are as follows:

- The £221.8 million Affordable Housing Programme. Housing providers were given approval for bids in July 2017 and the funding will support delivery of schemes that will contribute towards the Mayor's Affordable Housing target to start on site 90,000 affordable homes by the end of March 2021. In addition, the plan includes £178.6 million for Housing Zone loans and grants to support delivery of housing in key areas across London;
- the £191.0m Northern Line Extension programme to Battersea where the works are being carried out by TfL but funded by the GLA borrowing that is financed by developer contributions and ringfenced business rates income from the Vauxhall, Nine Elms and Battersea enterprise zone; and
- the other major items in the plan include £46.6 million for the LLDC, £48.9 million for Further Education and £52.3 million for the Good Growth Fund, the London Regeneration Fund, Skills for Londoners and the Growing Places Fund.

9.11 The GLA has established a Homes for Londoners Land Fund to buy and prepare land for new and affordable housing. As the funding source for the initial £250 million cash injection is housing and land receipts, financed in the short-term from the GLA's working capital, this Fund is not shown in the GLA's Capital Programme. The projected cashflow for the fund is £60 million in 2017-18, £140 million in 2018-19 and £50 million in 2019-20.

9.12 The cashflow projection is based upon current knowledge and understanding of interventions in the land and property market that could be led by the GLA. These interventions could result, for example, in land assembly or direct land acquisitions between now and 2020. It should be recognised that the land and property market is a fast-paced environment, whereby transactions take place within timescales that are often outside the control of public authorities and are subject to the uncertainties of the prevailing economic climate. As a high level indication of the anticipated spend within the land fund over the next three years, the cashflow projection should therefore be treated as such.

9.13 Details of the GLA's Capital Plan to 2018-19, together with the financing costs of the Programme, are set out at Appendix A. Details of the GLA's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

Mayor's Office for Police and Crime

9.14 MOPAC's capital programme of £670.8 million in 2018-19 is critical to the modernisation of policing's IT infrastructure and estate, both of which will deliver revenue savings in years to come. The Capital Programme includes funding for the maintenance and refurbishment of key buildings, delivery of the custody centre programme, technology projects in support of frontline policing, infrastructure modernisation and the vehicle replacement programme.

9.15 A detailed summary of MOPAC's Capital Plan to 2021-22, together with the financing costs of the programme, is set out at Appendix B. Details of MOPAC's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

London Fire Commissioner

9.16 The Mayor proposes that LFC's capital plan should increase by £23.7 million from LFEPA's current spend forecast of £18 million in 2017-18 to £41.7 million in 2018-19. The capital plan for 2019-20 is £41.2 million; reducing to £22.5 million in 2020-21 and decreasing further to £21.4 million in 2021-22.

9.17 As set out in Part 1 of the Final Draft Budget, the GLA will provide LFC with £5.9 million of retained business rates in both 2018-19 and 2019-20 to provide funding for LFC's capital programme. This reflects the fact that the expected capital receipt from the sale of Southwark Fire Station is less than previously forecast. This funding is expected to be repaid from the proceeds of the sale of its former headquarters building at Albert Embankment, which is not currently shown in LFC's capital spending plan.

9.18 The main elements of LFC's capital plan for the next two years of £82.9 million are:

- programmed replacement of the brigade's fleet of £39 million;
- investment into LFC's estate, including energy efficiency works, of £19.9 million;
- a new training centre for the delivery of high rise training of £15.5 million;
- a new distribution centre and protected equipment facility of £3.5 million; and

- other investment of £5 million in a range of operational improvements, including security and Information and Communications Technology projects and actions following the Grenfell Tower fire.

Transport for London

9.19 The Mayor proposes that TfL's total capital spend for 2018-19 will be £2,467.5 million, including £459.9 million on delivering the Crossrail programme. Other key investment programmes in 2018-19 include:

- modernisation of Circle, District, Hammersmith and City and Metropolitan lines - £372 million;
- Elizabeth line (trains and enabling works) - £318 million;
- major station upgrades including Victoria, Tottenham Court Road, Bond Street and Bank - £111 million;
- Northern Line Extension - £202 million;
- Healthy Streets and Air Quality - £224 million;
- White Hart Lane station - £13 million; and
- Deep Tube upgrade programme (Piccadilly line) - £88 million.

9.20 In addition, TfL will:

- introduce step-free access at five more stations in 2018-19 and work will be under way at a further 13;
- begin building the extension of the Gospel Oak to Barking line to Barking Riverside, a project that will support 10,800 homes on one of east London's largest new housing developments;
- introduce the ULEZ in central London in April 2019 and – subject to consultation – then expand it London-wide for heavy vehicles in 2020 and up to the North and South Circular for all vehicles in 2021; and
- keep the Crossrail construction programme on schedule and start services on the central section in December 2018. Negotiations continue with the Government over funding of Crossrail 2.

London Legacy Development Corporation

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

- the Cultural and Education District (CED) to further the Mayor's cultural agenda and the regeneration of Queen Elizabeth Olympic Park (QEOP) and the surrounding areas;
- support for the restructure and operating costs for the running of the Stadium through E20;
- infrastructure costs to assist in the development of the area; and

- investment in the delivery of developments to generate receipts in order to repay borrowings.

9.22 The Mayor's proposed capital spending plan for the LLDC is £98.2 million in 2018-19. This represents an increase over the forecast for 2017-18 of £1.8 million. The main elements are:

- costs to progress the buildings on the Stratford Waterfront part of the CED;
- working capital and restructuring costs to support Stadium operations;
- infrastructure costs for the East Wick and Sweetwater development;
- infrastructure costs for the Pudding Mill Lane development;
- site wide infrastructure costs;
- 3 Mills river walls works;
- LEP repayment; and
- lifecycle costs on the Park.

Cultural and Education District (CED)

9.23 The Cultural and Education District brings together the world class cultural and education institutions of Sadler's Wells, University of Arts London's (UAL) London College of Fashion, University College London (UCL) and the Victoria and Albert Museum (V&A) on the Park to create an arts and education quarter that will bring 2,500 jobs in the area and attract 1.5 million visitors a year. The £1.1 billion programme is funded through a combination of Government funding, contributions from partners, receipts from the sale of residential developments, philanthropic donations and GLA funding.

9.24 In early 2017 the Stratford Waterfront element of the Cultural and Education District project was significantly revised due to planning issues relating to the height of the proposed residential development. This revision to the project resulted in the design process being recommenced, causing a 12-month delay to the programme. The redesign has lower residential units and has re-organised the positioning of the buildings on the Stratford Waterfront.

9.25 The residential development on Stratford Waterfront is expected now to deliver 500+ new homes for private sale across four buildings. It is now anticipated that the site be developed by a joint venture between the GLA and a private sector delivery partner. The overview and management structure for the joint venture has yet to be decided between the GLA and LLDC.

9.26 Following negotiations during 2017-18, it is now proposed that UCL will deliver all elements of the UCL East campus. The GLA will provide a £100 million Government grant to UCL to facilitate the Marshgate Academic Facility as part of the CED project. Other than this grant, UCL will now fund all elements of UCL East. UCL have also taken over various delivery roles from LLDC. As a result, the amount of cost incurred directly by LLDC and subsequently recharged to UCL has reduced significantly.

Stadium

9.27 The proposed expenditure and funding for the Stadium operations, lifecycle and restructuring reflect the change to 100 per cent LLDC ownership of E20 and the significant deterioration in the commercial performance that has occurred. A number of workstreams are in train to reduce costs and increase income in order to minimise the public subsidy required, however their success is not assumed in this Plan.

Risks

9.28 Further delays in receipts from the development sites form a risk to the timing of the income included in the final draft Capital Spending Plan. Although the approach to the phasing of receipts has been more prudent, the delivery of receipts is beyond the control of LLDC and sits with development partners.

9.29 The assumption for housing price inflation in the current capital plan period (April 2018 – March 2022) varies between 3.3 per cent and 4.2 per cent per annum in line with a forecast from Knight Frank. A fall of 1 per cent to would have a total impact of c.£2 million on receipts in this period.

9.30 Details of LLDC's Capital Plan to 2021-22, together with the financing costs of the programme and the Authorised Limit and Operational Boundary for external debt are set out at Appendix E. The Mayor proposes that capital support to LLDC should be provided as loan funding and grants 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. The total support from loan and grant funding is estimated to be: £43.1 million in 2018-19; £27.3 million in 2019-20; £58.3 million in 2020-21; and £65.3 million in 2021-22.

Greater London Authority: Mayor and London Assembly

Table 1: GLA: Mayor - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Staff costs	44.6	44.2	47.4	46.7	47.1	47.6
Premises costs	21.9	21.9	24.8	24.8	24.8	24.8
Supplies and services	83.3	79.2	106.0	96.3	102.9	69.2
Transfer payments to third parties:						
Museum of London	11.6	11.6	11.6	11.6	11.6	11.6
London and Partners	11.9	11.9	13.7	13.1	13.1	13.1
Capital financing costs:						
Financing costs - Crossrail	115.0	115.0	117.3	112.9	109.0	107.1
Financing costs - Northern Line Extension	5.4	5.4	11.7	19.6	23.3	23.3
Financing costs - other	7.0	7.0	6.5	6.1	6.1	5.7
Provision for repayment of debt/ other grant payments - LLDC[1]	19.5	19.5	14.9	12.8	11.8	11.8
Total revenue expenditure	**320.2**	**315.7**	**353.9**	**343.9**	**349.9**	**314.1**
Sales fees and charges	-11.4	-11.4	-16.7	-12.3	-8.8	-8.8
Rental income	-7.1	-7.1	-8.1	-8.1	-8.1	-8.1
Interest receipts	-10.9	-10.9	-9.8	-9.8	-9.8	-9.8
Crossrail Business Rate Supplement	-115.0	-115.0	-117.4	-112.9	-109.0	-107.1
Northern Line Extension contributions	-5.4	-5.4	-11.7	-19.6	-23.3	-23.3
Interest receipts GLAP loan	-9.9	-9.9	-8.8	-7.9	-7.1	-6.5
Adjustment for direct net GLAP expenditure	-8.7	-8.7	-6.0	-4.9	-4.7	-4.7
GLAP recharge	-3.7	-3.7	-3.7	-3.7	-3.7	-3.7
Total Income	**-172.1**	**-172.1**	**-182.2**	**-179.2**	**-174.5**	**-172.0**
Net cost of services	**148.1**	**143.6**	**171.7**	**164.7**	**175.4**	**142.1**
Transfer of resource to MDC Reserve held in GLA Group item budget	0.0	6.3	0.0	0.0	0.0	0.0
Transfer to/from reserves held for GLA services[2]	3.8	1.8	23.2	-33.7	-45.0	-0.9
Financing requirement	**151.8**	**151.8**	**194.8**	**131.0**	**130.4**	**141.2**
Retained business rates	85.9	85.9	103.2	61.7	59.6	68.9
Council tax collection fund surplus	0.0	0.0	23.9	0.0	0.0	0.0
Council tax requirement	**65.9**	**65.9**	**67.7**	**69.2**	**70.8**	**72.3**

1. This provision is available to cover the forecast gap between the amount of debt that LLDC can take out and its forecast total capital expenditure. See Section 9 for more details.
2. Use of reserves excludes movements on the Business Rates Reserve and Mayoral Development Corporation (MDC) Reserve, except for the transfer to the MDC Reserve in 2017-18.

GLA Group items

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

Table 2: GLA: Mayor – GLA Group items

GLA Group Items[1]	Revised Budget 2017-18 £m	Forecast 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Expenditure						
Business rates tariff payment to MHCLG	720.2	720.2	687.3	718.9	731.8	746.5
Business rates levy payment to MHCLG[2]	26.0	26.0	0.0	0.0	0.0	0.0
Total business rates tariff and levy payments	**746.2**	**746.2**	**687.3**	**718.9**	**731.8**	**746.5**
LLDC Expenditure funded from MDC Reserve	7.8	7.8	16.2	0.0	0.0	0.0
LLDC soft loan interest cost	12.2	11.5	13.2	14.3	15.8	16.7
OPDC Expenditure funded from MDC Reserve	6.0	5.5	1.7	0.0	0.0	0.0
Total development corporation expenditure[3]	**26.0**	**24.8**	**31.1**	**14.3**	**15.8**	**16.7**
Forecast council tax collection fund surplus not yet allocated by Mayor	0.0	0.0	0.0	12.2	12.2	12.2
Cultural Education District (CED) public sector partner funding	0.0	0.0	47.0	0.0	0.0	0.0
Forecast GLA share of London Pool growth yet to be allocated by Mayor on strategic investment projects	0.0	0.0	140.0	0.0	0.0	0.0
Group Collaboration projects	0.0	0.0	2.0	0.0	0.0	0.0
Total GLA Group item expenditure	**772.2**	**771.0**	**907.4**	**745.4**	**759.8**	**775.4**
Income						
Business rates funding tariff payment to MHCLG	-720.2	-720.2	-687.3	-718.9	-731.8	-746.5
Business rates funding levy payment to MHCLG	-26.0	-26.0	0.0	0.0	0.0	0.0
Business rates income funding group items expenditure	0.0	0.0	-115.2	0.0	0.0	0.0
Total business rates funding tariff and levy payments	**-746.2**	**-746.2**	**-802.5**	**-718.9**	**-731.8**	**-746.5**
LLDC soft loan interest receipts	-12.2	-11.5	-13.2	-14.3	-15.8	-16.7
LLDC interest receipts	**-12.2**	**-11.5**	**-13.2**	**-14.3**	**-15.8**	**-16.7**
Business rates transferred to BRR	-76.1	-76.1	0.0	0.0	0.0	0.0
GLA resource transferred to MDC	0.0	-6.3	0.0	0.0	0.0	0.0
Total income transferred to BRR and MDC	**-76.1**	**-82.4**	**0.0**	**0.0**	**0.0**	**0.0**
Council tax collection fund surplus allocated to group items	-24.8	-24.8	0.0	-12.2	-12.2	-12.2
Business rates collection fund deficit/(surplus)	27.5	27.5	-73.8	0.0	0.0	0.0
Net transfer to/(from) BRR	73.4	73.4	0.0	0.0	0.0	0.0
Net transfer to/(from) MDC	-13.8	-7.0	-17.9	0.0	0.0	0.0
Net GLA Group items	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Notes to Table 2: GLA Group items

1. 'BRR' is the Business Rates Reserve. 'MDC' is the Mayoral Development Corporation Reserve. 'MHCLG' is the Ministry for Housing, Communities and Local Government (formerly the Department for Communities and Local Government).

2. The London Pool is assumed to continue throughout the period of this budget and therefore Levy payments are assumed to end from 2018-19 onwards.

3. In 2017-18 and 2018-19 LLDC and OPDC expenditure is funded from a combination of GLA: Mayor business rates resource and use of balances on the Mayoral Development Corporation Reserve. From 2019-20 onwards LLDC and OPDC funding will be made from business rates only, with a £4.1 million contingency amount held in the MDC Reserve including specific OPDC contingency funding allocated in the Mayor's 2017-18 budget.

Table 3: GLA: Assembly - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Staff costs	5.6	5.6	6.0	6.0	6.1	6.1
Supplies and services	1.8	1.8	1.8	1.8	1.8	1.8
Financing requirement	**7.4**	**7.4**	**7.8**	**7.8**	**7.9**	**7.9**
Retained business rates	4.8	4.8	5.2	5.2	5.3	5.3
Council tax requirement	**2.6**	**2.6**	**2.6**	**2.6**	**2.6**	**2.6**

Table 4: GLA: Mayor - Draft capital spending plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
London Regeneration Fund	7.0	7.9	0.0	0.0	0.0
Growing Places Fund	32.0	12.6	1.1	0.6	0.0
Further Education Capital Programme (Growth Deal 1 & 2)	10.1	48.9	22.4	8.5	0.0
Skills for Londoners Capital Fund (Growth Deal 3)	1.0	19.3	48.5	29.7	9.7
Good Growth Fund	0.0	12.4	25.9	23.6	0.0
Small Sites	0.0	2.4	4.1	5.2	0.0
Mayor's Regeneration Fund	3.9	4.2	1.5	0.0	0.0
Affordable Housing Programme (AHP)	562.6	221.8	413.0	749.6	1,240.6
Care and Support	9.3	24.0	16.6	6.1	0.0
Homelessness Change and Platform for Life	3.0	9.5	5.8	0.0	0.0
London Housing Bank	0.2	45.3	58.0	75.7	0.0
Housing Zones (Loans)	44.8	99.7	27.3	0.0	0.0
Housing Zones (AHP Grants)	59.1	78.9	105.7	95.9	0.0
Northern Line Extension	175.0	191.0	199.0	96.0	7.0
Loan to London Legacy Development Corporation	45.9	43.1	27.3	54.3	0.0
UCL Cultural & Education District (MHCLG)	0.0	0.0	15.0	55.0	30.0
LLDC General & CED Capital Funding	0.0	3.5	2.1	49.8	143.8
Barking Riverside – Joint Venture	0.0	6.8	22.7	15.1	0.0
LLDC Joint Venture transfer to GLAP	0.0	1.2	7.4	6.8	22.3
Other Projects < £10m	7.4	26.4	16.9	4.9	0.0
Total expenditure	**961.3**	**858.9**	**1,020.3**	**1,276.8**	**1,453.4**
Northern Line Extension -GLA Borrowing and Developers' Contributions	175.0	191.0	199.0	96.0	7.0
Care and Support/Homelessness (DH)	12.3	33.5	22.3	6.1	0.0
Affordable Housing (MHCLG)	621.7	302.3	520.8	845.8	1,240.6
Housing Zones Loans (MHCLG)	45.0	145.0	85.3	75.7	0.0
UCL Cultural & Education District (MHCLG)	0.0	0.0	15.0	55.0	30.0
Further Education Capital (BEIS)	10.1	48.9	22.4	8.5	0.0
Growth Deal Funding (BEIS)	40.1	59.5	79.6	59.1	9.7
Royal Docks - Enterprise Zone	0.4	0.4	0.0	0.0	0.0
LLDC - Temporary use of GLA cash balance	45.9	43.1	27.3	54.3	0.0
Capital Revenue Reserve	2.0	7.3	6.3	3.4	0.0
GLA Reserves	8.0	19.9	5.7	51.0	143.8
Financing of GLAP	0.8	8.0	36.6	21.9	22.3
Total funding	**961.3**	**858.9**	**1,020.3**	**1,276.8**	**1,453.4**

Table 5: GLA: Mayor - Capital financing costs

Capital financing costs	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Provision for repayment of debt	14.9	12.8	11.8	11.8
External interest	6.5	6.1	6.1	5.7
Total	**21.4**	**18.9**	**17.9**	**17.5**

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

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	4,800.0	4,800.0	4,800.0	4,800.0	4,800.0	4,800.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	**4,800.0**	**4,800.0**	**4,800.0**	**4,800.0**	**4,800.0**	**4,800.0**

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

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0	4,300.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	**4,300.0**	**4,300.0**	**4,300.0**	**4,300.0**	**4,300.0**	**4,300.0**

Mayor's Office for Policing and Crime

Table 1: MOPAC - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Police officer pay	1,792.9	1,776.4	1,788.7	1,858.9	1,899.9	1,935.5
Police staff pay	487.3	451.2	462.0	486.4	491.8	501.9
PCSO pay	53.7	53.7	53.9	54.8	55.9	57.1
Total pay	**2,333.8**	**2,281.3**	**2,304.7**	**2,400.2**	**2,447.7**	**2,494.5**
Police officer overtime	79.0	105.1	86.7	81.7	81.7	81.7
Police staff overtime	20.0	25.1	20.1	20.1	20.1	20.1
PCSO overtime	0.2	0.2	0.2	0.2	0.2	0.2
Total overtime	**99.2**	**130.4**	**107.0**	**102.0**	**102.0**	**102.0**
Employee-related expenditure	21.9	26.0	21.4	21.5	20.6	20.6
Premises costs	174.0	170.8	184.4	183.7	171.2	133.4
Transport costs	65.7	68.3	57.8	57.8	57.0	57.2
Supplies and services	517.0	536.7	524.6	539.7	548.3	604.1
Total running expenses	**778.5**	**801.8**	**788.2**	**802.7**	**797.1**	**815.3**
Capital Financing costs	41.9	41.5	97.2	53.9	69.3	80.3
Total expenditure	**3,253.5**	**3,255.0**	**3,297.1**	**3,358.8**	**3,416.1**	**3,492.1**
Interest receipts	-1.3	-2.0	-1.3	-1.3	-1.3	-1.3
Other income	-255.2	-262.9	-262.5	-264.7	-266.2	-269.0
Total income	**-256.5**	**-264.9**	**-263.8**	**-265.9**	**-267.5**	**-270.3**
Discretionary pension costs	34.4	33.6	34.4	34.4	34.4	34.4
Savings to be identified	0.0	0.0	0.0	-44.2	-94.1	-139.9
Net expenditure	**3,031.4**	**3,023.7**	**3,067.8**	**3,083.1**	**3,089.0**	**3,116.2**
Transfer to/(from) reserves	-90.6	-51.0	-29.0	-22.2	-1.0	0.0
Net financing requirement	**2,940.7**	**2,972.7**	**3,038.8**	**3,060.9**	**3,088.0**	**3,116.2**
Specific grants	437.1	469.1	423.3	423.3	423.3	423.3
Retained business rates	29.6	29.6	92.0	88.2	88.4	88.5
Home Office Police Grant	1,882.0	1,882.0	1,882.1	1,882.1	1,882.1	1,882.1
Council tax requirement	**592.0**	**592.0**	**641.4**	**667.3**	**694.2**	**722.3**

Table 2: MOPAC - Draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Property Forward Works	14.2	8.8	9.8	7.5	10.0
IT core infrastructure and replacement	40.4	31.6	27.7	25.7	25.7
Fleet	24.3	38.7	26.3	22.0	23.3
National Counter Terrorism Policing Headquarters	24.2	33.7	25.8	21.0	25.0
Improving Public Access and first contact	1.3	0.0	0.0	0.0	0.0
Optimising Response	13.5	12.4	18.1	33.4	10.5
Strengthening Local Policing	2.0	2.0	1.0	0.3	0.0
Transforming Investigation and Prosecution	30.2	45.1	41.8	40.0	0.0
Strengthening Armed Policing	2.5	2.8	2.5	0.0	0.0
Smarter Working	46.7	20.5	3.6	1.2	0.0
Workforce Futures	0.0	0.0	1.0	1.0	1.0
Information Futures	0.0	5.0	0.0	0.0	0.0
Transforming the MPS Estate	48.1	489.2	242.2	110.3	26.1
Subtotal	**247.4**	**689.8**	**399.8**	**262.4**	**121.6**
Over-programming/headroom	-16.4	-19.0	8.2	8.2	19.0
Total Programme Cost	**231.0**	**670.8**	**408.0**	**270.6**	**140.6**
Funding					
Capital Receipts	178.9	374.7	101.5	66.3	102.5
Capital grants and other contributions	51.1	56.3	47.4	41.1	37.2
Borrowing	0.0	179.4	259.1	163.2	0.9
Revenue Contributions	1.0	60.4	0.0	0.0	0.0
Total funding gross of over-programming	**231.0**	**670.8**	**408.0**	**270.6**	**140.6**

Table 3: MOPAC - Capital financing costs

Capital financing costs	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Total	**97.2**	**53.9**	**69.3**	**80.3**

Table 4: MOPAC - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	484.6	484.6	692.6	938.1	1,087.7	1,086.6
Long term liabilities	79.3	79.3	76.3	71.0	64.9	59.3
Total	**563.9**	**563.9**	**768.9**	**1,009.1**	**1,152.6**	**1,145.9**

Table 5: MOPAC - Operational limit for external debt

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	359.6	359.6	567.6	813.1	962.7	961.6
Long term liabilities	79.3	79.3	76.3	71.0	64.9	59.3
Total	**438.9**	**438.9**	**643.9**	**884.1**	**1,027.6**	**1,020.9**

London Fire Commissioner

Table 1: LFC - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Operational staff	235.5	230.8	240.8	251.6	255.7	260.5
Other staff	52.6	52.7	56.1	62.7	62.7	63.5
Employee related	26.3	25.4	20.4	18.4	18.6	19.4
Pensions	20.5	20.3	23.5	23.8	24.1	24.3
Premises	36.8	37.6	37.6	38.2	38.8	39.2
Transport	15.2	15.1	17.7	17.2	17.4	17.4
Supplies and services	29.1	28.6	27.5	28.3	28.0	28.2
Third party payments	2.6	2.8	1.9	1.9	1.9	1.9
Capital financing costs	9.5	9.5	9.8	10.4	11.3	12.4
Central contingency against inflation	0.2	0.2	0.0	0.4	0.2	0.2
Savings to be identified	0.0	0.0	0.0	0.0	-6.2	-12.0
Total expenditure	**428.3**	**423.1**	**435.4**	**453.0**	**451.3**	**454.9**
Total income	-35.0	-35.2	-36.8	-38.1	-38.7	-41.2
Net expenditure	**393.2**	**387.9**	**398.6**	**414.9**	**412.6**	**413.7**
Transfer to/(from) reserves	3.0	8.3	0.4	-11.4	-4.2	-0.1
Financing requirement	**396.2**	**396.2**	**399.0**	**403.5**	**408.4**	**413.5**
Specific grants	13.8	13.8	12.2	12.2	12.2	12.2
Retained Business Rates	244.2	244.2	238.7	235.7	232.7	229.7
Council tax requirement	**138.2**	**138.2**	**148.0**	**155.6**	**163.4**	**171.6**

Table 2: LFC - Draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Expenditure					
IT projects	1.4	3.5	0.5	2.4	2.0
Refurbishment of fire stations	1.6	0.4	2.2	2.1	6.3
New/Replacement fire stations	0.0	1.5	4.4	0.1	0.0
Other property projects	1.2	12.9	11.0	1.8	1.2
Sustainability projects	3.3	2.4	2.4	2.4	1.2
Minor improvements programme	1.1	1.3	1.3	1.3	1.3
Fire Brigade fleet re-procurement	16.1	19.7	19.4	12.4	9.4
Over programming	-6.7	0.0	0.0	0.0	0.0
Total expenditure	**18.0**	**41.7**	**41.2**	**22.5**	**21.4**
Funding					
Capital receipts	17.6	34.3	20.8	0.0	0.0
Retained business rates	0.0	5.9	5.9	0.0	0.0
Borrowing and PFI leases	0.0	1.5	14.5	22.5	21.4
Capital grants	0.4	0.0	0.0	0.0	0.0
Total funding	**18.0**	**41.7**	**41.2**	**22.5**	**21.4**

Table 3: LFC - Capital financing costs

Capital financing costs	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
MRP and external interest	9.8	10.4	11.4	12.4
Total	**9.8**	**10.4**	**11.4**	**12.4**

Table 4: LFC - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	150.0	150.0	150.0	150.0	155.0	170.0
Long term liabilities	75.0	75.0	75.0	75.0	75.0	75.0
Total	**225.0**	**225.0**	**225.0**	**225.0**	**230.0**	**245.0**

Table 5: LFC - Operational limit for external debt

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	145.0	145.0	145.0	145.0	150.0	165.0
Long term liabilities	75.0	75.0	75.0	75.0	75.0	75.0
Total	**220.0**	**220.0**	**220.0**	**220.0**	**225.0**	**240.0**

Transport for London

Table 1: TfL - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Income						
Passenger Income	-4,777.8	-4,637.7	-4,793.5	-5,155.6	-5,721.1	-6,007.5
Congestion Charging	-281.9	-244.4	-259.6	-248.1	-263.9	-271.1
Enforcement Income	-55.1	-49.5	-58.9	-65.5	-73.5	-73.1
Taxi & Private Hire and VCS fees	-42.2	-35.2	-48.7	-54.7	-55.7	-61.6
Advertising Income	-171.7	-147.1	-170.7	-195.7	-202.1	-208.6
Rental Income	-67.4	-68.5	-73.8	-76.6	-77.3	-79.8
Other Income	-194.1	-183.4	-231.6	-255.8	-323.9	-559.4
Total Income	**-5,590.2**	**-5,365.7**	**-5,636.9**	**-6,052.1**	**-6,717.6**	**-7,261.0**
Operating Expenditure						
Employee Expenses	2,214.3	2,144.9	2,153.1	2,148.2	2,162.7	2,184.5
Premises	365.9	352.0	412.1	443.6	452.2	468.8
PFI Service Charge	76.5	77.3	80.0	100.5	62.8	63.3
Bus Contract Payments	1,979.9	1,985.3	1,988.0	1,985.5	2,032.6	2,101.4
CCS Income and other road contracted services	353.4	351.1	365.4	390.4	417.9	474.3
Asset Maintenance and Local Authority Payments	547.8	527.2	658.3	631.2	641.6	665.3
Professional and consultancy fees	177.7	170.8	195.3	191.2	171.0	158.9
Ticket Commissions	54.4	53.1	58.5	63.9	69.7	73.7
Customer Information	34.6	38.7	36.9	36.4	36.4	35.9
National Rail Payments	6.6	6.9	32.2	86.6	89.2	91.7
Franchise Payments	413.1	405.5	504.1	541.5	571.2	578.9
Information and Communication Technology	192.7	190.5	188.9	176.0	176.0	155.4
Insurance	30.8	30.5	28.5	25.8	25.8	25.9
Traction Current	120.8	118.2	134.1	145.8	158.8	175.5
Other Operating Expenses	125.9	59.5	15.0	-60.3	-87.2	-229.4
Capital resources and other Recharges	-293.8	-278.6	-286.6	-268.3	-272.3	-267.1
Bad Debt Provision	54.5	44.7	55.5	59.9	59.4	58.8
Total Operating Expenditure	**6,455.1**	**6,277.8**	**6,619.3**	**6,697.7**	**6,767.9**	**6,815.9**
Net Operating Expenditure	**864.9**	**912.1**	**982.4**	**645.6**	**50.3**	**-445.1**
Group Items & Third Party Contributions	445.2	433.5	483.7	511.3	542.8	574.8
Revenue surplus / (deficit)	-151.6	-190.0	-463.6	-265.2	267.4	731.1

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Financing Requirement	**1,158.5**	**1,155.6**	**1,002.5**	**891.7**	**860.6**	**860.8**
GLA Transport Grant (general grant)	228.0	228.0	0.0	0.0	0.0	0.0
Other specific grants	70.2	67.2	49.4	31.4	0.4	0.4
Retained Business Rates	854.3	854.3	947.1	854.3	854.3	854.3
Council tax requirement	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**	**6.0**

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

Table 2: TfL - Draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
London Underground	1,098.4	1,075.0	1,104.7	1,029.0	1,042.2
Elizabeth line	464.9	317.5	80.9	5.2	0.0
Buses	49.2	76.0	59.8	44.6	52.0
Streets	207.6	153.9	364.1	328.8	395.7
Rail	97.9	110.2	120.7	128.0	71.3
Other operations	124.8	173.0	104.7	210.6	173.9
Commercial Development	99.1	101.9	141.3	114.0	127.3
Crossrail construction	1,402.5	459.9	65.1	0.0	0.0
Total capital expenditure	**3,544.4**	**2,467.5**	**2,041.3**	**1,860.1**	**1,862.4**
Capital receipts/property sales	88.8	874.6	161.5	7.7	139.9
Retained business rates (former DfT investment grant)	960.0	976.0	993.0	1,010.0	1,030.2
Grants to support capital expenditure	210.6	212.6	216.4	13.1	12.3
Borrowing	621.1	800.7	499.9	600.9	501.2
Crossrail funding sources	208.1	312.2	53.2	144.0	41.8
Revenue contributions	-190.0	-463.6	-265.2	267.4	731.1
Working capital and reserves movements	1,645.8	-244.9	382.5	-183.0	-594.1
Total funding	**3,544.4**	**2,467.5**	**2,041.3**	**1,860.1**	**1,862.4**

Table 3: TfL – London Underground draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Four Lines Modernisation	347.0	372.2	233.8	186.5	154.4
Deep Tube upgrade programme	17.8	87.7	117.2	178.4	320.5
Northern line Extension	197.4	202.4	252.8	130.6	9.5
Major station upgrades	163.5	110.8	87.0	74.6	31.8
Future major stations	15.0	9.5	14.2	41.8	65.7
World Class Capacity	29.3	16.6	23.9	27.1	24.5
LU Other	49.0	16.8	48.6	86.1	88.7
LU renewals	279.4	259.0	327.2	304.0	347.1
Total expenditure	**1,098.4**	**1,075.0**	**1,104.7**	**1,029.0**	**1,042.2**

Table 4: TfL – Rail draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
DLR rolling stock	5.9	12.1	49.0	56.8	39.2
London Overground	49.5	38.3	18.1	9.4	5.6
Trams	14.5	25.0	11.0	6.5	4.3
Barking Riverside extension	0.0	7.5	24.0	33.2	0.0
Other Rail	28.0	27.3	18.5	22.1	22.2
Total expenditure	**97.9**	**110.2**	**120.7**	**128.0**	**71.3**

Table 5: TfL – Surface Transport draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Buses	49.2	76.0	59.8	44.6	52.0
Streets	207.6	153.9	364.1	328.8	395.7
Other Surface	58.9	84.6	38.3	85.8	38.4
Total expenditure	**315.7**	**314.6**	**462.3**	**459.2**	**486.1**

Table 6: TfL – Corporate draft capital plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Customer Experience	64.1	54.8	45.3	41.3	30.6
Commercial Development projects	99.1	101.9	141.3	114.0	127.3
Other Corporate investment	1.8	33.6	20.9	83.5	104.9
Corporate expenditure excluding Crossrail	**165.0**	**190.3**	**207.6**	**238.8**	**262.8**
Crossrail construction	1,402.5	459.9	65.1	0.0	0.0
Elizabeth line rolling stock & depots	464.9	317.5	80.9	5.2	0.0
Corporate expenditure including Crossrail	**2,032.4**	**967.7**	**353.6**	**244.0**	**262.8**

Table 7: TfL - Capital financing costs

Capital financing costs	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Minimum revenue provision	18.7	18.7	18.7	18.7
External interest	484.8	511.8	546.1	578.6
Total	**503.5**	**530.5**	**564.8**	**597.3**

**Under accounting rules, contingent rentals under Private Finance Initiative contracts are treated as financing and investment expenditure. These do not represent capital financing costs and have therefore been excluded from Table 7 above. They are, however, included in the debt service line in the objective analysis as this is how they would be disclosed in TfL's audited financial statements.

Table 8: TfL - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	11,895.3	11,924.9	12,382.1	12,882.9	13,482.8	13,982.8
Long term liabilities	198.7	218.0	200.3	177.4	166.4	153.9
Total	**12,094.0**	**12,142.9**	**12,582.4**	**13,060.3**	**13,649.2**	**14,136.7**

Table 9: TfL - Operational limit for external debt

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	10,840.7	10,539.8	11,339.9	11,840.7	12,440.6	12,940.6
Long term liabilities	198.7	218.0	200.3	177.4	166.4	153.9
Total	**11,039.4**	**10,757.8**	**11,540.2**	**12,018.1**	**12,607.0**	**13,094.5**

Table 10: Application of net congestion charging revenue by TfL

Congestion charging	2018-19 £m
Borough plans: TfL will maintain the current record level of investment in borough roads. The boroughs control 95 per cent of the Capital's road network, so the successful delivery of the Mayor's Transport Strategy will demand close partnership working to achieve the outcomes for which the Mayor strives.	**101.3**
Roads and bridges: Activities will be prioritised using a risk-based approach so we get the best results for our investment to ensure network safety and provide a serviceable level of 'state of good repair' for all highway assets, including carriageways, footways, traffic signals, bridges, tunnels, street lighting, drainage and trees.	**82.0**
Walking and cycling: TfL will continue a programme of improvements for both pedestrians and cyclists on its own roads. Investment will continue to be made to enhance the attractiveness of walking and cycling whilst delivering a safe, comfortable and attractive street environment.	**4.5**
Air quality: TfL has already committed significant resources to cleaning up London's air quality and will continue to do so. The net revenue from the Emissions Surcharge is allocated to the acceleration of the programme of air quality and environmental improvements which includes the introduction of cleaner vehicles, launching a network of rapid charge points and funding to support new borough projects.	**4.3**
Congestion charge net revenue	**192.1**

London Legacy Development Corporation

Table 1: LLDC - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Employee expenses	8.1	7.7	8.2	8.2	8.5	8.7
Premises costs	1.0	1.1	1.3	1.3	1.3	1.3
Supplies and services	19.7	18.3	16.3	16.0	15.3	15.4
Income/savings to be identified	0.0	0.0	0.0	0.0	-3.9	-2.5
Financing costs	12.2	11.5	13.2	14.3	15.8	16.7
Total expenditure	**41.0**	**38.6**	**39.0**	**39.8**	**37.0**	**39.6**
Total income	-4.6	-6.2	-6.0	-5.0	-4.9	-6.9
Net expenditure	**36.4**	**32.4**	**33.0**	**34.8**	**32.1**	**32.7**
GLA funding for core activities	13.2	13.2	0.0	0.0	0.0	0.0
Business rates	0.0	0.0	3.6	20.5	16.3	16.0
Mayoral Development Corporation Reserve	11.1	7.8	16.2	0.0	0.0	0.0
GLA funding for financing costs	12.2	11.5	13.2	14.3	15.8	16.7
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Table 2: LLDC - Draft Capital Plan

Draft capital plan	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Expenditure					
Park Operations and Venues	31.8	30.3	27.4	30.0	31.3
Real Estate and Development	41.7	35.1	19.1	25.4	8.6
Regeneration	1.5	0.2	0.2	0.2	0.2
Cultural and Educational District (CED)	14.2	24.9	42.4	112.1	142.9
Corporate	1.4	1.6	1.5	1.1	1.1
Irrecoverable VAT & contingency	5.8	6.1	1.0	1.3	0.9
Total expenditure	**96.4**	**98.2**	**91.6**	**170.1**	**185.0**
Funding					
Borrowing	49.4	43.1	27.3	54.3	0.0
Funded by GLA: Provision for repayment of debt / other grant payments	0.0	0.0	0.0	4.0	65.3
Capital receipts: CED	0.4	53.9	49.8	76.3	49.9
Capital receipts: Other	34.0	0.5	14.0	35.0	69.3
Other grants and funding	12.6	0.8	0.5	0.5	0.5
Total funding	**96.4**	**98.2**	**91.6**	**170.1**	**185.0**

Table 3: LLDC - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	500.0	450.0	480.0	500.0	520.0	520.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	**500.0**	**450.0**	**480.0**	**500.0**	**520.0**	**520.0**

Table 4: LLDC - Operational limit for external debt

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	490.0	440.0	470.0	490.0	520.0	520.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	**490.0**	**440.0**	**470.0**	**490.0**	**520.0**	**520.0**

Old Oak and Park Royal Development Corporation

Table 1: OPDC - Subjective analysis

Subjective analysis	Revised Budget 2017-18 £m	Forecast Outturn 2017-18 £m	Budget 2018-19 £m	Plan 2019-20 £m	Plan 2020-21 £m	Plan 2021-22 £m
Employee expenses	3.0	3.0	3.3	3.3	3.3	3.4
Supplies and services	5.8	5.4	4.6	4.2	4.1	3.7
Total expenditure	**8.8**	**8.4**	**7.9**	**7.5**	**7.4**	**7.1**
Total income	-0.3	-0.4	-1.1	-0.7	-0.6	-0.3
Net expenditure	**8.5**	**8.0**	**6.8**	**6.8**	**6.8**	**6.8**
GLA funding for core activities	2.5	2.5	0.0	0.0	0.0	0.0
Business rates	0.0	0.0	5.1	6.8	6.8	6.8
Mayoral Development Corporation Reserve	6.0	5.5	1.7	0.0	0.0	0.0
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Table 2: OPDC - Authorised limit for external debt

Authorised limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Table 3: OPDC - Authorised limit for external debt

Operational limit for external debt	Current Approval 2017-18 £m	Revised Approval 2017-18 £m	Proposed 2018-19 £m	Proposed 2019-20 £m	Proposed 2020-21 £m	Proposed 2021-22 £m
Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

GLA Group Four-Year Efficiency Plan

This section of the Mayor's GLA Group Final Draft Consolidated Budget for 2018-19, read in conjunction with all the budgetary information set out in the rest of this document, is the proposed GLA Group four-year efficiency plan for the period 2018-19 to 2021-22.

Scrutiny of savings and efficiencies programmes across the GLA Group

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

The Consultation Budget was published on 21 December 2017 and consulted on with the functional bodies and London Assembly, as well as any external stakeholders who wished to comment, such as business representative organisations, the London Boroughs and individual Londoners. The budget setting process, that formally started with the publishing of the consultation budget in December and ends with the consideration of the final draft GLA Group budget, is subject to the scrutiny of, and potential amendment by, the London Assembly.

Transparency and performance information

Each functional body of the GLA Group produces quarterly performance and financial information. These quarterly reports are scrutinised both internally through the governance processes of each individual body and by the London Assembly through its Budget Monitoring Sub-Committee. The reports are made publicly available by each functional body.

Benefits of the four- year efficiency plan

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

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

Savings and Efficiencies including Shared Services across the GLA Group

Shared services and collaboration across the GLA Group and with external partners
There are many shared service and collaborative arrangements between members of the GLA Group. These include formal contractual relationships that have been established such as in the transport policing arrangement between MOPAC and TfL. Each arrangement is led by a member of the Group; some of the arrangements include – amongst others - a collaborative procurement programme; shared services such as treasury management, audit and financial services; and shared location arrangements. All are expected to deliver efficiency gains and/or cashable savings.

It is also important to recognise collaboration and the sharing of services beyond the Group. Examples include collaboration between TfL and London boroughs, the MPS and other police forces and between the GLA and the City of Westminster in respect of facilities management. Some of the shared service and collaborative arrangements and achievements in 2017-18 are outlined below.

The GLA Group collaborative procurement function
The GLA Group Collaborative Procurement Team manages the common and low complexity procurement expenditure for the GLA and its functional bodies. Since its creation, the team has achieved total gross savings (i.e. cashable and non-cashable savings) of £16.6 million for the GLA Group, of which £0.5 million relates to the GLA. The biggest beneficiary of the scheme in financial terms is TfL, reflecting the size of its budget compared with those of the GLA and its other functional bodies.

The function is overseen by the GLA Collaborative Procurement Board whose duties include exploring opportunities for further collaboration across more complex areas of expenditure with a view to increasing the level of savings achieved. Work is currently underway to identify and assess those collaborative areas.

The GLA Group Investment Syndicate (GIS)
The GLA has established a Group Investment Syndicate (GIS) across the whole of the GLA Group (excluding TfL but including the London Pensions Fund Authority). The GIS makes collective decisions on the Syndicate's c£2.5 billion of investments and c£4.4 billion of borrowings. The GIS has been able to generate significant additional income from investments, without undertaking greater risk, and optimise borrowing decisions across the Group through economies of scale. It also provides a more resilient function for the Group, than was available individually. The GIS platform is being developed to enable other parts of London government to enjoy these benefits.

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

crucially removed the restrictions associated with complying with often complex and restrictive licence arrangements.

The GLA has a good track record of collaborating with other public sector organisations to deliver value for money in delivering technology solutions. For example, internet access, SAP, and hosting are provided by TfL while the GLA also provides a full range of technology services to MOPAC, OPDC and from next Summer the LLDC.

Business rates and council tax maximisation programmes
The GLA seeks to maximise income from council tax and business rates revenues. Projects are in place with around 20 London boroughs to reduce council tax and business rates arrears and identify commercial properties which are undervalued or omitted from the local rating list. For a one-off investment of up to £2.5 million, these projects are forecast to deliver additional revenues for the GLA of up to £40m over the next five years.

The Mayor has also approved funding for three years to support up to three property inspectors per borough who will focus on ensuring commercial and residential properties are correctly valued in the rating list and on tackling rates avoidance such as the abuse of reliefs for empty property and charitable bodies. These inspectors will cost the GLA up to £2.5 million per annum. These costs should be recovered many times over in terms of the additional rates and council tax income generated. This initiative demonstrates the GLA's commitment to working with boroughs for London's benefit - more than £12 billion per annum is collected in council tax and business rates in the capital.

Summary of other key shared service arrangements
Other key arrangements - amongst the many that the GLA and functional bodies have entered into - are set out below. All deliver cashable savings and/or efficiency gains:

- **TfL Legal Services**: TfL Legal provides the full suite of legal services to the GLA, MOPAC, LLDC and OPDC;
- **MOPAC Audit Function**: MOPAC provide internal audit services to the GLA, LFEPA, LLDC and OPDC;
- **GLA Shared HR**: The GLA provides HR services for MOPAC and OPDC;
- **GLA Shared IT**: The GLA Technology Group provides the IT Service for MOPAC and OPDC and from 2018-19, LLDC;
- **GLA Committee Services**: The GLA provides a full committee support service for the boards and committees of LFEPA, TfL, LLDC and OPDC; and
- **LFEPA Accommodation**: LFEPA shares part of its Union Street office space with the London Pensions Fund Authority, the GLA and OPDC.

Savings and efficiencies across the GLA Group

The total savings and efficiencies to 2021-22 which have been identified across the Group are summarised below. The figures are presented on an **incremental** basis and do not include any savings still to be identified.

Savings and efficiencies	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
GLA: Mayor	2.0	0.0	0.0	0.0
GLA: London Assembly	0.0	0.0	0.0	0.0
MOPAC	130.3	9.8	15.1	29.8
LFC	8.5	1.7	1.9	1.8
TfL	176.7	303.0	302.6	165.6
LLDC	4.8	-0.4	0.5	2.2
OPDC	2.2	0.0	0.0	0.0
Total	**324.5**	**314.1**	**320.1**	**199.4**

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

Savings to be identified	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
GLA: Mayor	0.0	0.0	0.0	0.0
GLA: London Assembly	0.0	0.0	0.0	0.0
MOPAC	0.0	44.2	94.1	139.9
LFC	0.0	0.0	6.2	12.0
TfL	0.0	0.0	0.0	0.0
LLDC	0.0	0.0	3.9	2.5
OPDC	0.0	0.0	0.0	0.0
Total	**0.0**	**44.2**	**100.3**	**154.4**

Summary of Revenue Expenditure and Financing

Introduction

The tables below summarise how the net expenditure (financing requirement) and council tax requirement is calculated for the GLA and each functional body in 2018-19.

	Gross expenditure £m	Passenger income £m	Other general income £m	Net expenditure before use of reserves £m	Use of reserves £m	Net expenditure after use of reserves £m
Mayor's Office for Policing and Crime	**3,331.5**	**0.0**	**-263.8**	**3,067.8**	**-29.0**	**3,038.8**
GLA Mayor	1,253.4	0.0	-182.2	1,071.2	0.0	1,071.2
GLA Assembly	7.8	0.0	0.0	7.8	0.0	7.8
LFC	435.8	0.0	-36.8	399.0	0.0	399.0
TfL	7,103.0	-4,793.5	-843.4	1,466.1	-463.6	1,002.5
LLDC	39.0	0.0	-19.2	19.8	-16.2	3.6
OPDC	7.9	0.0	-1.1	6.8	-1.7	5.1
Total other services	**8,846.9**	**-4,793.5**	**-1,082.7**	**2,970.7**	**-481.5**	**2,489.2**
Total GLA Group	**12,178.4**	**-4,793.5**	**-1,346.5**	**6,038.4**	**-510.5**	**5,528.0**

Note: GLA Mayor gross expenditure includes business rates retention levy and tariff payments

Council tax requirement and Band D council tax

	Net expenditure after use of reserves £m	Specific Government grants £m	General Government grants £m	Business rates £m	Council tax requirement £m	Band D amount £
Mayor's Office for Policing and Crime	**3,038.8**	**423.3**	**1,882.1**	**92.0**	**641.4**	**218.13**
GLA Mayor	1,071.2	0.0	0.0	905.7	165.4	29.76
GLA Assembly	7.8	0.0	0.0	5.2	2.6	0.89
LFC	399.0	12.2	0.0	238.7	148.0	50.22
TfL	1,002.5	49.4	0.0	947.1	6.0	2.04
LLDC	3.6	0.0	0.0	3.6	0.0	0.00
OPDC	5.1	0.0	0.0	5.1	0.0	0.00
CT and BR collection fund surplus	-97.7	0.0	0.0	0.0	-97.7	-6.81
Total other services	**2,391.5**	**61.6**	**0.0**	**2,105.4**	**224.3**	**76.10**
Total GLA Group	**5,430.3**	**484.9**	**1,882.1**	**2,197.4**	**865.7**	**294.23**

Net revenue expenditure

The net revenue expenditure (or financing requirement) shown in the tables above - after allowing for the impact of variances in the collection of council taxes by London billing authorities - represents the sum of:

- revenue grants from the Government. These include general government grants (for example Home Office police grant and TfL's operating grant which ceases from 1 April 2018) and specific grants (including for example Home Office police funding for counter-terrorism, Fire revenue grant and TfL Overground grant);
- retained business rates; and
- each body's share of the council tax precept.

The forecast financing requirement (net expenditure after use of reserves) for the GLA and each functional body is set out in the table below.

Net revenue expenditure (financing requirement)	**Budget 2018-19 £m**	**Plan 2019-20 £m**	**Plan 2020-21 £m**	**Plan 2021-22 £m**
GLA Mayor	1,084.3	876.4	890.2	916.6
GLA Assembly	7.8	7.8	7.9	7.9
MOPAC	3,038.8	3,060.9	3,088.0	3,116.2
LFC	399.0	403.5	408.4	413.5
TfL	1,002.5	891.7	860.7	860.7
LLDC	3.6	20.5	16.3	16.0
OPDC	5.1	6.8	6.8	6.8
CT and BR collection fund surplus	-97.7	-12.2	-12.2	-12.2
Net revenue expenditure	**5,443.4**	**5,255.4**	**5,266.1**	**5,325.5**

Funding Allocations from Sources over which the Mayor has Direct Control

The Mayor's allocation of funding sources under his control is set out in Section 1. This section sets out more detail behind this analysis and explains the changes in allocations in 2018-19.

The Mayor's precept in respect of police services has been increased by £12 or 5.1 per cent from £206.13 to £218.13 in line with the expectations set out by the Home Office in the police funding settlement. Reflecting the impact of the 2.4 per cent buoyancy in the taxbase this means the police council tax requirement will increase by £49.3 million or 8.3 per cent in 2018-19.

The GLA has a specific local policing element of £36.5 million within its local government settlement funding allocation for 2018-19 and future years. This relates to MOPAC's estimated share of prior year council tax freeze grants for the 2011-12 and the 2013-14 to 2015-16 financial years.

The previous Mayor increased MOPAC's precept in 2014-15 by £9.4 million in respect of council tax freeze grant and allocated MOPAC £27.1 million in Revenue Support Grant in 2016-17 in order to deliver the £36.5 million sum set out in 2016-17 local government finance settlement in respect of 'London policing'. Since April 2017 this has been now funded via retained business rates as a result of the GLA's business rates retention pilot. In 2018-19 £32.1 million is being provided by the Mayor to MOPAC via retained business rates comprising the £29.1 million notionally in respect of the police share of prior year council tax freeze grant and a further £3.0 million reallocated from the non-police precept which equates to one third of the 2.99 per cent increase in the non-police precept. This means that the amount allocated to policing via retained business rates will be £5.0 million higher than the amount allocated by the Government in the local government finance settlement if the £9.4 million in respect of prior year council tax freeze grant provided through council tax since 2014-15 is included.

TfL's share of retained business rates has been frozen in cash terms in 2018-19 in respect of the funding provided for its revenue (operational budget). In addition, £976 million of retained rates income has been provided to fund TfL's capital programme via retained rates – equating to the Department for Transport settlement allocation for its capital investment grant agreed in the 2015 Spending Review which has been funded from business rates since 1 April 2017.

The Mayor is proposing to increase the cash funding he is providing to LFC by a net £4.4 million. This is the entire additional sum raised from his proposed 2.99 per cent increase in the non-police precept offset by a reallocation of £3.0 million to MOPAC through retained business rates so that in effect one third of the non-police precept rise is redistributed to be applied for policing.

Rates retention funding
The table below sets out the forecast of rates retention income for 2018-19 based on the data supplied by the billing authorities. The GLA expects to manage any volatility arising from these forecasts through the GLA's Business Rates Reserve. Appendix I outlines the assumptions made in more detail for 2018-19 and the subsequent three years having regard to the planned introduction of 100 per cent business rates retention.

Forecast of business rates income in 2018-19

	GLA Mayor	GLA Assembly	TfL	LFC	MOPAC	LLDC	OPDC	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Total funding allocated to GLA and functional bodies for services and capital programmes	111.9	5.2	1,923.1	250.5	92.0	3.6	5.1	2,391.4
Forecast GLA share of London Pool growth to be allocated by Mayor on strategic investment projects	113.6							113.6
Business rates income funding Group Items	1.6							1.6
Business rates income funding tariff payment to DCLG								687.3
Business rates collection fund surplus relating to 2017-18 and earlier years								73.8
Total business rates income								**3,267.7**
Tariff payment to DCLG								-687.3
Total forecast rates retention revenues in respect of 2018-19 (including section 31 grant income)								**2,580.4**

Council tax calculations

The difference between net revenue expenditure and the sum of grant funding from the Government and through retained business rates represents the amount to be raised from council taxpayers. This sum is recovered by issuing precepts on the City of London and the 32 London boroughs (i.e. the council tax requirement) which are the statutory billing authorities for council tax, national non-domestic rates and the Crossrail Business Rate Supplement in the capital. The statutory calculation also includes the effect of £23.9 million collection fund surplus in respect of council tax for 2017-18 which will be paid over by billing authorities through an adjustment to the 2018-19 instalments.

There are two sets of council tax calculations because the Metropolitan Police District does not include the City of London which has its own police force. The unadjusted basic amount of council tax excludes the element for the Metropolitan Police District and equates to the precept payable by taxpayers in the City of London (i.e. the area of the Common Council). The adjusted basic amount of Council Tax includes the element for the Metropolitan Police District and equates to the precept payable by taxpayers in the 32 London boroughs.

Although the statutory arrangements only require a distinction to be made between police and other services, a summary of spending, funding and the resultant council tax attributable to each body is provided in the tables at the beginning of this Appendix. Details of the council tax requirement for police services and other services are set out below.

Council tax requirement for police services

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

Council Tax requirement for police services	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
Net financing requirement	2,940.7	3,038.8	3,060.9	3,088.0	3,116.2
Government grants and Retained Business Rates	-2,348.7	-2,397.4	-2,393.6	-2,393.8	-2,393.9
Amount for police services	**592.0**	**641.4**	**667.3**	**694.2**	**722.3**

This is equivalent to a Band D Tax for police services of £218.13 for 2018-19 in the 32 London boroughs (£206.13 for 2017-18).

Council tax requirement for other services

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

Council Tax requirement for other services	2017-18 £m	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
GLA, LFC, LLDC, OPDC and TfL net expenditure	2,578.6	2,521.6	2,206.7	2,190.3	2,221.5
Government grants, retained business rates and use of MDC reserve	-2,368.5	-2,199.6	-1,961.1	-1,935.3	-1,956.7
Share of borough net collection fund (surplus)/deficit	2.6	-97.7	-12.2	-12.2	-12.2
Amount for other services	**212.7**	**224.3**	**233.3**	**242.8**	**252.6**

This is equivalent to a Band D Tax of £76.10 for 2018-19 in the City of London (£73.89 for 2017-18).

Summary of proposed adjusted and unadjusted council tax by Band

The adjusted basic amount of council tax is therefore £294.23 for a Band D property (i.e. £218.13 for the Metropolitan Police plus £76.10 for non-police services) – this applies to taxpayers in the 32 London boroughs.

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

Band	2018-19	2017-18	Change
Band A	£196.15	£186.68	£9.47
Band B	£228.85	£217.79	£11.06
Band C	£261.54	£248.91	£12.63
Band D	**£294.23**	**£280.02**	**£14.21**
Band E	£359.61	£342.25	£17.36
Band F	£425.00	£404.47	£20.53
Band G	£490.38	£466.70	£23.68
Band H	£588.46	£560.04	£28.42

The provisional unadjusted basic amount of council tax is £76.10 – this applies to council taxpayers in the City of London. They contribute separately through their council tax to the City of London Police.

Unadjusted amount of council tax paid by taxpayers in Common Council of the City of London for non-police services only (£)

Band	2018-19	2017-18	Change
Band A	£50.73	£49.26	£1.47
Band B	£59.19	£57.47	£1.72
Band C	£67.64	£65.68	£1.96
Band D	**£76.10**	**£73.89**	**£2.21**
Band E	£93.01	£90.31	£2.70
Band F	£109.92	£106.73	£3.19
Band G	£126.83	£123.15	£3.68
Band H	£152.20	£147.78	£4.42

Council tax referendum thresholds

Following the announcement of the final local government finance settlement, the Government confirmed the principles for the council tax referendum thresholds for 2018-19 – the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2018-19.' This document states that the GLA would be required to hold a referendum if the increase in the adjusted precept (i.e. the Band D council tax including the policing element) was more than £14.21 greater than the adjusted 2017-18 precept and/or the increase in the unadjusted precept (i.e. the Band D council tax excluding the policing element) was 3 per cent or more. The £14.21 figure being the combined impact of the £12 principle set for all other local policing bodies and £2.21, the maximum monetary increase in the unadjusted non-police precept which is less than the 3 per cent[1].

[1] *"**Principles for 2018-19 for the Greater London Authority in paragraph 2 (b)***
***4.** For 2018-19, the GLA's relevant basic amount of council tax is excessive if—*
(a) the GLA's unadjusted relevant basic amount of council tax for 2018-19 is 3%, or more than 3%, greater than its unadjusted relevant basic amount of council tax for 2017-18; or (b) the GLA's adjusted relevant basic amount of council tax for 2018-19 is more than £14.21 greater than its adjusted relevant basic amount of council tax for 2017-18. "

The adjusted and unadjusted amounts of council tax proposed in this final draft consolidated budget are both lower than the GLA's estimate of the council tax referendum thresholds that will apply for 2018-19 (i.e. £294.24 – a £14.22 increase in the adjusted amount for 2017-18 of £280.02 and/or £76.11 – a 3 per cent increase on the unadjusted amount for 2017-18 of £73.89). The council tax levels proposed by the Mayor would therefore not trigger a council tax referendum in the 32 London boroughs and the area of the Common Council of the City of London.

The Home Office has set out that funding settlements for the Police include the assumption that police council tax requirements will be increased in 2018-19 by the sum raised from a £12 increase in the Band D council tax. Pending confirmation of police grant levels beyond 2018-19, this Budget assumes, at this stage, that the police precept will be increased by 1.99 per cent in subsequent years - along with an assumption of 2 per cent growth in the council taxbase – as used for the 2016-17 and 2017-18 police settlements. This would take into account both the impact of changes in the Band D precept as well as movements in the tax base. Decisions on the precept are an annual matter for the Mayor.

Funding Assumptions and Future Changes to Business Rates

Introduction
This Appendix sets out the medium-term funding outlook for the GLA Group in respect of Government grant, retained business rates and council tax. It takes into account the impact of the announcements in the 2017 Autumn Budget, published on 22 November 2017, and the provisional and final police, local government and fire finance settlements published in December 2017 and February 2018 respectively.

It explains the underlying assumptions supporting the retained business rates and council tax forecasts, taking into account the revenue forecasts and taxbase data supplied by London billing authorities at the end of January 2018. It also considers the impact of the continuing business rates retention pilot and new pooling arrangements. This analysis highlights the degree of uncertainty which exists in respect of future years funding, given the Government's commitment to focus on controlling public expenditure and the potential volatility in both council tax and business rates income.

2018-19 Final Local Government and Fire Finance Settlement
The final 2018-19 local government finance and fire settlement was published on 6 February 2018 and the Local Government Finance report was approved by the House of Commons on 7 February 2018. The settlement confirmed the funding allocations for English local and fire authorities for 2018-19 with indicative allocations for 2019-20, which remain in line with the four-year funding settlement set out following the 2015 Spending Review. The final settlement figures for the GLA were unchanged from the provisional settlement published on 18 December 2017 with the exception of a small change to its tariff payment made through the London 100 per cent pilot to the Government under the business rates retention scheme. This arose because the Government used more accurate data issued by the Valuation Office Agency to reflect the impact of the change in rateable values at individual authority level following the 2017 business rates revaluation.

The Government stated following the 2017 General Election that it remained committed to continuing to give local authorities greater control over the money they raise locally. The Secretary of State for Housing Communities and Local Government announced in the provisional settlement that the Government would seek to implement 75 per cent retention nationally by 2020-21 by rolling in revenue support grant, rural services grant and public health grant into funding baselines. In the meantime, it has agreed to continue to support local pilots of 100 per cent retention in 2018-19.

The GLA was part of the first wave of pilots which began in April 2017 to increase the share of locally retained business rates beyond the existing arrangements where local government retains 50 per cent of rates.

As part of this initial pilot, in 2017-18 the GLA's £148 million revenue support grant and £960 million TfL capital investment grant is being funded through retained business rates, rather than Government grants. As a result, in 2017-18 the GLA's retention share increased from 20 per cent to 37 per cent; billing authorities in London continued to retain 30 per cent. Local government as a whole in London therefore retained 67 per cent of rates in 2017-18.

The Mayor and London Councils agreed a proposal for a 100 per cent retention pilot in London in 2018-19 which the Government confirmed its endorsement of in the Chancellor of the Exchequer's Budget on 22 November 2017. This budget reflects updated assumptions on the implications of the pilot for the GLA's business rates income having regard to the figures in the final settlement updated to reflect the impact of the business rates forecasts supplied by the 33 London billing authorities at the end of January. The assumptions have also been updated to reflect the expected revenues for the pool in respect of section 31 grants for the costs of Government funded business rates reliefs, the cap in the NNDR multiplier to 2 per cent in 2014-15 and 2015-16 and the lost revenue to the GLA and other local authorities arising from change from uprating the multiplier from RPI to CPI from 1 April 2018. More details on the pilot and the pooling arrangements are set out in the section below.

In 2018-19 all former fire and rescue and GLA general funding and TfL's former operating grant will be provided through retained business rates along with MOPAC's share of prior year council tax freeze grants. The GLA's revenue support grant for fire and rescue and GLA purposes within its retained rates funding baseline is £10 million lower (i.e. £148.5 million reduced to £138.5 million).

The retained business rates allocation also includes £976 million in 2018-19 in respect of former DfT (capital) investment grant - £16 million higher than in 2017-18 – in line with TfL's 2015 Spending Review settlement. This will be paid to TfL as capital funding and is reflected in its capital spending plan funding in section 9 and Appendix D. In line with the funding settlement agreed at Spending Review 2015, the following amounts relating to this capital grant are included for future years - £993 million in 2019-20 and £1,010 million in 2020-21.

The Secretary of State also confirmed that the Government would proceed with its review of the funding distribution formula for local government and fire services with an expected implementation date of April 2020. A consultation was issued alongside the settlement addressing this issue, which closes on 12 March 2018. In practice, however, any distributional changes are expected to be phased in through damping. It is understood that the Government may also reset the baselines for the business rates retention system from April 2020 which may have the effect of removing some or all of the growth retained by local authorities above their baseline funding since the 50 per cent retention scheme was introduced in 2013-14 and redistributing this to areas which have seen reductions in revenues over this period.

The Mayor's proposed allocations of retained business rates funding for 2018-19 are set out in Appendix H. The sums allocated for capital expenditure to the London Fire Commissioner and Transport for London are set out in their capital spending plans in Appendices C and D. Illustrative numbers are also included for 2019-20, 2020-21 and 2021-22 although these remain speculative depending on the continuation of the London pilot beyond 2018-19 and the impact of the changes planned by the Government to the wider funding system from April 2020.

2018-19 Home Office Police Grant Settlement and Impact on the Mayor's Office for Policing and Crime

On 31 January the Minister of State for Policing and the Fire Service confirmed the final grant allocations for 2018-19 for Police and Crime Commissioners in England, for the Mayor's Office for Policing and Crime and the City of London Police. This included the Home Office Police Grant and police formula grant (formerly paid by DCLG), along with council tax support funding for local policing bodies and, for both MOPAC and the City of London Police, their National and International Capital City (NICC) allocations. These figures were unchanged from the provisional police grant report published on 18 December. The police grant report for 2018-19 was approved by the House of Commons on 7 February.

The Minister reconfirmed that levels of Home Office general grant would be held at the same level in cash terms as in 2017-18 and that local policing bodies would be able to increase their precepts by up to £12 per Band D property in order to provide additional resources.

MOPAC has therefore been allocated general police grant of £1,882.1 million in 2018-19, comprising £849.4 million of core Police Grant, £739.3 million of former DCLG formula grant, £119.7 million in local council tax support grant and £173.6 million in NICC funding. These are the same in cash terms as in 2017-18.

The Home Office's general revenue funding allocations for police are based on the assumption that all local policing bodies will increase their precept by £12 in 2018-19. The Mayor increased the council tax precept by 1.99 per cent in 2017-18 and plans to increase this by £12 in 2018-19 in line with the Home Office assumptions in both years. The Minister confirmed that the Government's intention was to repeat the £12 flexibility in 2019-20, subject to sufficient progress by police forces on delivering on efficiencies. However, at this stage the Mayor is prudently retaining his assumption of a 1.99 per cent increase in the police precept for 2019-20 and subsequent years. He will review this planning assumption once more detail is available on the Government's future intentions towards police funding.

The Policing Minister also confirmed that the counter-terrorism grant would be increased by £50 million (7 per cent) to at least £757 million nationally, compared to 2017-18 on a like-for-like basis. The allocations for this by police force are not made publicly available. Final specific grant allocations for policing for 2018-19 will be confirmed by the Home Office in early 2018. This will include the revised allocations for counter-terrorism funding.

For future years, the Mayor has assumed for planning purposes that the general policing grant will remain unchanged in cash terms at £1,882.1 million over the period 2019-20 to 2021-22. These figures are indicative, however, as the Government did not provide any commitments on levels of police grant beyond 2018-19. The Home Office has decided to delay consulting on changes to the police funding formula until after the next Spending Review which is expected to take place by 2020.

Transport for London funding agreement with the Department for Transport

The Government's 2015 Spending Review, in November 2015, set out the Department for Transport's funding plans for Transport for London. A subsequent funding letter to TfL in March 2017 updated these arrangements, reflecting the changes in business rates retention arrangements outlined above.

From 2018-19 onwards the Department for Transport (DfT) will no longer provide a general (operating) revenue grant for TfL, representing a £228 million reduction in funding compared to 2017-18.

As explained above, TfL's capital investment grant, formerly paid by DfT, has been funded since April 2017 via retained business rates. DfT have set out their expectation that funding at the levels set out in their funding agreement letter with TfL should continue to be spent on capital projects. The Mayor has allocated this to TfL in 2018-19 and future years for capital purposes as reflected in its draft capital spending plan. The Mayor is also transferring £75 million of retained business rates income back to TfL which it had contributed in 2015-16 to finance deficits on the GLA's retained business rates income in 2013-14 and 2014-15 in line with the previous settlement for TfL.

DfT will continue to provide a £27 million grant to TfL for London Overground Rail Operations Ltd (LOROL) in 2018-19. TfL also receives other revenue and capital specific grants for specific programmes and projects which are agreed and paid separately including Crossrail funding.

Funding assumptions for retained business rates for 2018-19 including the implications of the 100 per cent retention pilot in London

As outlined above, this budget reflects the impact of the 100 per cent business rates retention pilot in London in 2018-19 as this has been agreed with the Government. Under the pilot, the 32 London boroughs, the Corporation of the City of London and the GLA will form a voluntary business rates retention pool. All 33 billing authorities have legally approved their participation and the local Memorandum of Understanding has now been signed by the each of their representatives and the Mayor. The Mayor approved the GLA's participation in MD2217 which was signed on 18 December 2017.

For at least the 2018-19 financial year London billing authorities will not be required to pay a 'central share' to central government. Funding baselines for the 33 local authorities will be increased by an amount equivalent to the agreed allocations for revenue support grant, which will no longer be paid by central government. No additional grants will be rolled in to the GLA's funding baseline as part of the new arrangements, as all its central government core grant funding for non-police services has been rolled in since April 2017.

The pool will continue to pay an aggregate tariff to Government, which is estimated to be around 36 per cent or £2.8 billion of the total estimated £8 billion of net business rates revenues expected to be collected in London in 2018-19, including reliefs for which the cost is reimbursed by central government via section 31 grant. The overall level of collected rates that will be retained therefore is around 64 per cent after the tariff is paid.

London authorities will also receive section 31 grants in respect of Government changes to the business rates system which reduce the level of business rates income such as the decision to change the annual uprating of the NNDR multiplier from RPI to CPI from April 2018 announced in the Budget on 22 November. Section 31 grant is expected to amount to 100 per cent of the value of the lost income. Tariffs and top-ups will be adjusted to ensure cost neutrality. These grants will continue to be paid directly to the GLA in respect of its retained business rates share outside the London pool, but, in practice, both the GLA and boroughs' additional section 31 grant income arising from the pool is redistributed along with the growth in revenues using the agreed apportionment methodology.

The London pool will retain 100 per cent of any growth in business rate income, including section 31 grant compensation for business rates reliefs, above the agreed baselines, and will pay no levy on that growth. This is a significant benefit to the GLA which currently pays over 25 per cent of its growth against its baseline to the Government. The GLA's levy payment for 2016-17 was £13.7 million and is forecast to be £26 million in 2017-18. Some London boroughs with high taxbases were required to pay up to 50 per cent of their growth through the levy prior to 2018-19. So, the removal of the levy is a significant benefit of the pilot.

London authorities will not be subject to more onerous rules or constraints under the pilot arrangements, than they would have been if they had remained subject to the existing arrangements in 2017-18. No "new burdens" will be transferred to London and participation in the pilot will not affect the development or implementation of the Fair Funding Review scheduled for 2020-21.

In the event that London's business rates income fell, the pool will have a higher "safety net" threshold – 97 per cent rather than 92.5 per cent of the overall baseline funding level – than in the existing system, reflecting the greater reliance local authorities will have on business rates. This provides a more generous safety net for the GLA in 2018-19 compared to 2017-18 as its funding baseline is substantially unchanged.

Furthermore, the piloted approach is to be without detriment to the resources that would have been available collectively to the 34 London authorities under the current local government finance regime, over the four-year settlement period taking into account the increase in the GLA's share of business rates from 20 to 37 per cent in April 2017 and any enterprise zones and designated areas established in London (i.e. the Royal Docks, Battersea/Nine Elms, Brent Cross and Croydon). This "no detriment" guarantee will ensure that the pool, as a whole, cannot be worse off than the participating authorities would have been collectively if they had not entered the pilot pool. In the unlikely event of this arising, the Government would intervene to provide additional resources. The GLA's no detriment income based on billing authority forecasts is estimated at £2.39 billion including applicable section 31 grants.

The net financial benefit to participating in the pool in 2018-19 was estimated at the date the memorandum of understanding (MOU) with the Government was signed to be in the region of £240 million, based on modelling using borough forecasts. Based on an analysis of the billing authority forecasts submitted at the end of January, this figure has now increased. The GLA's estimated benefit from the pool has therefore been revised upwards from £64.8 million to £113.6 million. The actual level of growth achieved by the pool will not however be known until the summer of 2019 once the business rates outturn for 2018-19 is confirmed and it would not be prudent therefore to apply all of the estimated growth based on forecasts prior to that date.

A pooling agreement between the authorities in the pool sets out the principles and method for distributing any net financial benefits that may be generated. In the memorandum of understanding, the Mayor has committed to applying the GLA's share of any additional net financial benefit from the pilot for use on strategic investment projects. The Mayor has decided to top up the GLA's strategic investment pot from the £113.6 million provided directly by the London pilot to £140 million. It will be for the Mayor to determine the projects funded from this pot; bids will be invited from the GLA and functional bodies, with a view to making provisional allocations during May 2018. Decisions on the allocation of this £140 million will therefore be made by the Mayor, subject to the GLA's normal decision-making processes.

This restriction on the application of GLA growth for strategic investment projects does not apply to the share of growth it receives on its existing share and therefore the levels of core general funding already in place to fund the GLA and functional bodies. The Mayor has therefore decided to allocate a proportion of this growth which would have applied if there was no pilot to fund ongoing investment in MOPAC and other projects as set out in Part 1 of this budget.

The MOU between the GLA, London billing authorities and the Government only commits to the pilot operating for one year. However, subject to the evaluation of the pilot, it also commits the Government to working with London authorities to explore: future options for grants including, but not limited to: Public Health Grant and the Improved Better Care Fund; the potential for transferring properties on the central list in London to the local list where appropriate which could potentially include TfL's operational assessments such as the London Underground network and DLR; and legislative changes needed to develop a Joint Committee model for future governance of a London pool.

The pool in 2018-19 would not bind the Mayor or billing authorities indefinitely, as the founding agreement includes exit provisions for authorities to withdraw provided notice is given by 30 September each year. Were the pool to continue beyond 2018-19, unanimous agreement would be required to reconfirm a pool from 2020-21 onwards (the expected year in which funding baselines will be updated as a result of the Government's Fair Funding Review).

A lead authority, the City of London, will be responsible for administering the pool, in consultation with participating authorities. Under a delegation agreement the GLA will undertake treasury management arrangements for the pool and manage the monetary transfers between pool members on behalf of the City. The GLA will continue therefore to receive its business rates income directly from the 33 London billing authorities. The GLA will also continue to be dependent on their forecasts and collection rates for the retained rates income it receives including any provisions they make in respect of business rates appeals and uncollectable income.

The accounting and reporting arrangements operate on a similar basis to council tax – with a budgeted forecast being used to determine in year instalments with any variations in the forecast outturn (whether a surplus or deficit) being adjusted for in the following year's instalments. The collection fund surplus forecast for business rates at 31 March 2018 is £73.8 million based on the 33 local billing authority returns.

The effect of the 2017 business rates revaluation continues to cause uncertainty for billing authorities and the GLA. Following the revaluation, London ratepayers were forecast to see their NNDR bills rise by around £900 million or 11 per cent. The effective rise before assumed refunds for successful appeals is closer to £1.2 billion and London was the only English region which saw a net increase in ratepayer bills. In the 2017 Spring and Autumn Budgets the Government announced a package of measures to support business facing increased business rates bills following the revaluation. These included a £300 million local discretionary relief scheme over four years administered by billing authorities, a £1,000 discount for public houses with rateable values below £100,000 in 2017-18 and 2018-19, and a specific relief scheme for ratepayers losing eligibility for small business rate relief for up to five years. These measures are worth an estimated £130 million to London over the four years from 2017-18 to 2020-21 – although the funding provided by the Government for these schemes is estimated to decline from around £80 million in 2017-18 to less than £5 million in the final year.

As revaluations are redistributive and do not raise additional revenue nationally London local government will not retain the additional revenues collected from ratepayers. These have been removed via an adjustment to tariff and top up payments and reflected in the net tariff payment London local authorities individually in 2017-18 and - from April 2018 - the London pool is required to make.

From the income it receives from billing authorities, the GLA is required to make an annual tariff payment to the Government through the pool equivalent to the difference between its assessed funding needs as determined and its business rates baseline based on its agreed 36 per cent share under the pool. The GLA's tariff payment through the pool for 2018-19 was confirmed in the final local government finance settlement as £687.3 million, £0.5 million lower than the figure included in the draft budget. The remaining revenue after the tariff is available to support GLA services having regard to the arrangements for the London pool. Any additional growth will be allocated in line with the arrangements outlined above.

The Mayor's budget assumes that the GLA's share of total business rates income – including any section 31 grants for any government funded reliefs but net of the tariff payment payable to Government via the London Pool – will be £2,506.5 million. In addition, as stated above the budget assumes £113.6 million of business rates income from the London Pool to be allocated by the Mayor on strategic investment projects; this amount is being topped up to provide an overall fund of £140 million for allocation.

This budget therefore assumes that the GLA's tariff payment will reduce from £720.2 million in 2017-18 to £687.3 million in 2018-19. This change reflects the GLA's revised 36 per cent share of the estimated final increase in business rates liabilities in London as a result of the 2017 revaluation adjusted for CPI inflation of 3 per cent at September 2017. The additional tariff payment will be transferred via the Government to support local authorities experiencing a reduction in business rates income as a result of the revaluation. As a result of the creation of the London pool, no levy payment on growth is forecast for 2018-19.

The budget also assumes that the cost of the change in the uprating of the NNDR multiplier from RPI to CPI from 2018-19 announced by the Chancellor in the 2017 Autumn Budget will be fully funded through section 31 grant until at least 2021-22. In addition, it assumes the cost of the additional rates reliefs announced in previous Budgets and Autumn Statements which affect revenues in 2018-19 and future years, including the doubling of small business double rate relief and the ongoing impact of the 2 per cent multiplier cap in 2014-15 and 2015-16, will continue to be funded by the Government. MHCLG is expected to confirm the arrangements for paying the section 31 grants to cover the cost of those reliefs it is committed to fund in early 2018.

In determining the business rates income forecasts, it has also been assumed that the CPI inflation figure used for the purposes of uprating the business rates multiplier for 2019-20, 2020-21 and 2021-22 will be 2.2 per cent, 1.8 per cent and 2 per cent respectively. This uprating has been changed from RPI to CPI from April 2018 although local authorities will be reimbursed for the lost revenue by the Government. The proposed allocations of forecast business rates income for those years are set out in the relevant sections for the GLA Group.

There are other uncertainties which could affect business rates income beyond 2017-18. In particular, the effect of the implementation of the new 'Check, Challenge Appeal' business rates appeals system, introduced by the Government from April 2017, are as yet unclear. Only a small number of challenges – less than 6,000 nationally out of 1.8 million properties as at 30 September 2017 have been registered by ratepayers owing in part to problems with the Valuation Office Agency's website and the complex registration process. There also remain significant backlogs in clearing appeals on the 2010 rating list.

At 31 March 2017 there were around 54,190 outstanding business rates appeals in respect of the 2010 rating list in London (equivalent to more than one in five properties) – the highest proportion of any English region. These appeals are particularly concentrated in central London boroughs with the number of unresolved challenges equating to more than a third of all properties in the City of London – which by definition means these appeals will tend to be more complex and financially material.

The GLA held a provision of £162.5 million on its balance sheet at 31 March 2017 to meet the potential cost of refunds for these outstanding appeals. As outlined above the new Check, Challenge Appeal system will create initial uncertainty around the future level of appeals as ratepayers, rating agents and local authorities adjust to the new arrangements. This is likely – at least initially – to make forecasting potential losses due to appeals more difficult for the new rating list which is reflected in the low level of challenges to date. Given London is the only English region where rates bills are increasing following the revaluation these challenges are likely to be greater in the capital than elsewhere.

The GLA is managing the ongoing risks associated with rates retention funding through the use of the Business Rates Reserve. In considering the amount required to be retained in this reserve the Executive Director of Resources is mindful of the experience of the volatility in income from this source between the forecast and outturn in the first two years of the rates retention scheme. This has led to a judgement that sufficient sums should be maintained in the reserve to allow for the difference between forecast (i.e. budgeted) and the actual revenues collected by boroughs each year.

Council tax assumptions

Each London billing authority was required to determine its council tax base for 2018-19 by 31 January 2018, reflecting council tax support arrangements and discounts. The taxbases of the 33 billing authorities together make up the taxbase used by the GLA for setting the council tax. The Mayor's budget reflects the actual increase in the council taxbase of 2.4 per cent in 2018-19, compared to the 2017-18 taxbase; this is 0.4 per cent higher than assumed in the draft budget.

Billing authorities are also required to provide an estimated collection fund surplus or deficit outturn calculation for 2017-18 for council tax, taking into account expected collection rates. Based on billing authorities returns, the figure is £23.9 million, compared to the £20 million surplus previously forecast in the draft budget.

The Mayor's budget assumes that the overall Band D GLA precept will increase by £14.21 or 5.1 per cent in 2018-19, compared to the 2017-18 level. This level of increase applies to the precept for the 32 London Boroughs (the adjusted basic amount of council tax). The separate precept for the City of London (the unadjusted amount of council tax) will increase by £2.21 or 2.99 per cent.

The increase to the policing element of the precept reflects the Home Office assumption, set out in the 2018-19 provisional police settlement, that policing bodies should increase council tax by £12 in 2018-19.

The decision to increase to the non-policing element of the precept reflects the additional funding pressures faced by the London Fire Brigade in future years. The majority of the additional income raised from 1.99 per cent of the 2.99 per cent increase in the non-police precept has been allocated to the LFC in order to protect the Fire Brigade from the impact of the cuts made by the Government in the former fire funding component of the GLA's Revenue Support Grant allocation (which has been rolled into the GLA's retained business rates income).

The additional amount allocated to LFC is equal to the amount assumed in the draft budget with the additional amount raised from council tax buoyancy being 2.4 per cent rather than the 2.0 per cent assumed in the draft budget, allocated to MOPAC through an adjustment to LFC and MOPAC's retained business rates allocations.

These increases will not exceed the council tax referendum thresholds were approved by Parliament on 7 February i.e. a referendum would be triggered if the unadjusted council tax for non-police services is increased by 3 per cent or more and the adjusted council tax (including policing) is increased by more than £14.21, as explained in Appendix H.

The budget assumes council tax increases of 1.99 per cent for the policing element of the precept in each of the remaining years of the budget period (2019-20, 2020-21 and 2021-22). The Government has indicated it is minded to repeat the £12 council tax flexibility for policing in 2019-20, subject to police forces' progress on efficiencies, but has provided no real certainty around police grant levels. The budget also assumes 1.99 per cent council tax increases for the non-policing element in 2019-20, 2020-21 and 2021-22. The additional income from these increases is proposed to be allocated entirely to MOPAC and LFC.

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

Conclusion

The Government's financial regime has already had a profound impact on the GLA's budget when set alongside the challenges arising from delivering the Government's austerity programme across the Group. It creates both opportunities and risks with the business rates retention scheme in particular representing an important step towards delivering greater financial devolution for the capital. These will only increase as a result of the creation of the London pool from April 2018.

Due to the fact that there are ongoing concerns about the potential volatility and accuracy of the council tax and business rates tax base estimates which billing authorities will be able to provide, the GLA will continue to maintain a Business Rates Reserve to help manage these risks over the medium term and to provide a degree of certainty to Functional Bodies.

Budget timetable and key dates

Date	Description
22 February 2018	Mayor to present his final draft consolidated budget to the London Assembly.
28 February 2018	Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2018-19 and notify the Secretary of State for Communities and Local Government.
31 March 2018	Statutory deadline for the mayor to approve the Authorised Limit for external debt (borrowing) for the functional bodies and the GLA alongside the Prudential Indicators and Capital Financing Requirements required by statute.

Summary of Changes Compared to Draft Budget

As noted in the Introduction, since the draft consolidated budget document was published on 17 January 2018, the GLA has received returns from the 33 London billing authorities, confirming council tax bases, the collection fund surplus and forecast business rates income for 2018-19.

As a result, material changes have been made to the budget to reflect the allocation of the additional retained business rates and council tax income, primarily to MOPAC, the GLA and TfL. A summary of the Mayor's proposed allocations of this additional income is summarised in Section 4 of Part 1 and set out in the table below. These are the principal changes set out in this document.

The council tax precept amounts for 2018-19 in the 32 London Boroughs and the City of London remain as set out in the draft consolidated budget. Indicative figures for the council tax requirement and Band D amounts in 2019-20 and future years have been amended slightly, reflecting the latest council taxbase figure and expected referendum thresholds.

Proposed allocation of 2018-19 additional council tax and business rates income in 2018-19 and 2019-20 to GLA and functional bodies compared to draft budget

Detail	2018-19 (£m)	2019-20 (£m)
GLA:		
Strategic Investment Projects [1]	75.2	0.0
Cultural Education District (CED) public sector partner funding	47.0	0.0
Young Londoners Fund	15.0	15.0[2]
Other Projects	27.4	0.8[3]
GLA sub-total	164.6	15.8
MOPAC:		
Additional police officers	5.0	59.3[4]
Revenue contribution to capital investment	55.0	0.0
Other projects	3.1	0.0[5]
MOPAC sub-total	63.1	59.3
LFC:		
Southwark Fire Station[6]	5.9	5.9
TfL:		
Local Implementation Plans (LIPs)	11.6	0.0
Bus Driver Toilets	6.0	0.0
Intra- Group shared services adjustment	0.2	0.0
TfL sub-total	17.8	0.0

1. The Mayor's draft budget reported an estimate of £64.8 million for the strategic investment projects. The additional £75.2 million comprises a further £48.8 million arising directly from the GLA's estimated £113.6 million share of the additional income arising from the London 100 per cent retention pilot, topped up by an additional £26.4 million of business rates income by the Mayor, providing for a total of £140 million for strategic investment projects.
2. The Young Londoners Support Fund continues into 2020-21 at £15 million.
3. GLA: Other Projects includes ongoing provision for GLA pay awards.
4. The provision of £59.3 million continues in later years.
5. A £3.3 million provision for mental health work in 2019-20 and later years is financed from the full year capital financing cost savings arising from the revenue contribution to capital investment of £55 million in 2018-19.
6. The £11.7 million funding in relation to Southwark Fire Station will be made from 2018-19 business rates income but is currently forecast to be used over two years. This is reflected in the LFC's capital spending plan.

[END]

PART 3

Final draft consolidated budget 2018-19: Finance and legal advice

Advice provided by the Executive Director of Resources

1. Advice on budget process

The Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA's statutory Chief Finance Officer, to report on the robustness of the estimates. This is covered within the information and advice provided below.

What were the arrangements for developing the budget proposals?

The budget process itself involved:

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

The Mayor issued guidance in June 2017 to the Greater London Authority and the functional bodies for preparing their budget submissions. The guidance sought to ensure that the Mayor's budget proposals were an accurate reflection of his priority aims and objectives within available resources and also covered how equalities impacts should be considered in the budget proposals.

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

- review delivery of the 2017-18 budget and to judge outcomes;
- direct the 2018-19 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor's priorities;
- ensure that as far as practical there would be consistency and integration across the GLA Group on relevant issues;
- ensure that each body's submission was delivered as required; and
- ensure that the submissions could be readily consolidated into the Mayor's budget proposals and issued for consultation.

Throughout the process careful consideration has been given to the projected resource provision including responding to and taking into account Government consultations and announcements.

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

To explain each component budget, there is generally a service analysis showing the spending plans for the four-year period 2018-19 to 2021-22 for the GLA and each of its functional bodies. Each service analysis shows:

- the net costs of providing the complete range of services provided by the body;
- grant funding;
- capital financing costs (including capital expenditure charged to revenue);
- transfers to and from reserves;
- any other financial changes and adjustments; and
- the resultant budget and council tax requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2017-18. Explanations have been provided for the changes in terms of:

- inflation;
- savings and efficiencies;
- net changes in service expenditure and income / new initiatives and service improvements;
- changes in use of reserves;
- net change in government grants and retained business rates funding / resources allocated by the Mayor; and
- any other adjustments.

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

What internal and external scrutiny have the budget proposals had?

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

Details of the budget consultation have been widely circulated to London borough councils, the Corporation of London, London Councils, and a range of business and other representative organisations. The budget consultation document and details of how to respond to the consultation were also placed on the Greater London Authority's website, enabling members of the public to submit their comments. The views expressed in the consultation have been considered before finalising the draft budget proposals.

Assembly's Consideration of the Draft Consolidated Budget for 2018-19

The Mayor presented his Draft Budget to the Assembly on 25 January 2017. The Assembly was required to approve it, with or without amendment, by a simple majority of the members voting. If approved (with or without amendment) or not explicitly approved, the draft consolidated budget is deemed to be the GLA's consolidated budget for the year in question (Schedule 6, paragraph 4).

The Assembly's power to amend the draft consolidated budget extended only to making changes to the figures required to be calculated under section 85 (4) to (8) in respect of each body's component budget and council tax requirements and the resulted consolidated budget and council tax requirement. In the event the Assembly did not agree any amendment to the Mayor's Draft Consolidated Budget for 2018-19 by a simple majority of votes cast, and as a result that budget was approved un-amended.

This final stage of the budget process involves the Assembly holding a meeting on 22 February at which the Mayor presents his Final Draft Consolidated Budget for 2018-19. The Assembly must consider the final draft budget and decide whether to approve it with or without amendment. At this stage, the only amendments that can be made by the Assembly are those agreed by a two-thirds majority of votes cast (disregarding absences or abstentions). If not amended the final draft budget is deemed approved.

Conclusion

The estimates have been put together by, or with the involvement of, qualified finance staff in the functional bodies and the GLA and reflect the approval and scrutiny process as described above. The estimates represent the best available information held within the GLA about budget pressures and the resources available to meet them.

There are processes within each of the GLA Group's organisations for proper consideration to be given before expenditure is sanctioned. Budget discipline is supported by a controlled virement system that maximises resource utilisation and allows emerging needs to be taken into account.

There are areas of risk and uncertainty in the budget, particularly the system of business rates retention which increases the potential volatility in respect of some £3.2 billion of the GLA Group's funding. There are significant savings included in the budget and these will require positive management action. There is always the risk that forecast budget variances for 2017-18 could result in a shortfall in the budget funding for 2018-19. In that event the control systems that operate throughout the group allow for component budgets to be reviewed and adjusted accordingly. The scale of future savings required across the GLA Group in future years is substantial. This will require intensive work to deliver and will place significant strain on officers across the whole Group.

Risks are mitigated by insurance arrangements across the GLA Group and by the existence of appropriate reserves. Across the GLA Group the risks associated with major contracts have been recognised and programmes to manage these risks introduced.

The GLA Group takes a prudent approach to the achievability of income and recovery of debts due, making appropriate provision for bad debts, and full provision for realistic estimates of future settlements of known liabilities. The level of external borrowing by authorities is considered affordable having regard to these factors.

Overall, on the basis of the information that has been provided to explain the Mayor’s 2018-19 budget proposals, the estimates and budgetary provisions set out in the Budget documents represent reasonable and necessary financial provisions consistent with the powers and service obligations of the GLA and the functional bodies, and which are the outcome of a robust budget development process. Advice on equalities implications, 2017-18 monitoring, reserves and balances, council tax referendums, future years’ plans and the Assembly’s powers to amend the budget is also provided in this document.

2. Advice on the equalities implications of the budget proposals

The relevant sections of Part 2 of the Budget set out a summary of each member of the GLA Group's consideration of equality issues in their budget proposals. This equality statement covers the Mayor’s budget proposals for the 2018-19 financial year.

The GLA (Mayor and Assembly) and all five functional bodies must comply with section 149 of the Equality Act 2010, which provides for the “public sector equality duty (PSED)”.

- This duty requires each body to have due regard to three outcomes: (1) the need to eliminate unlawful discrimination, harassment and victimisation; (2) to advance equality of opportunity between those who share a protected characteristic and those who do not; and (3) to foster good relations between such people.
- The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation, and in certain circumstances civil partnership or marriage.
- Compliance with the PSED may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding.
- In limited circumstances this may involve treating people with a protected characteristic more favourably than those without the characteristic, in particular, making reasonable adjustments for a disabled person and in some cases a pregnant worker can be treated more favourably. This is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.

Fulfilling the duty requires due regard that is appropriate in all relevant circumstances. This includes the budget development, preparation and approval process involving the GLA: Mayor, GLA: Assembly and each functional body and the subsequent expenditure involved in implementing their individual budget proposals.

Inclusive London is the Mayor’s equality, diversity and inclusion framework that will include relevant evidence and long-term strategic objectives that set out what the GLA Group is aiming to achieve in relation to equality, diversity and inclusion. The strategy will be published in final form later in 2018 with an action plan to follow. This will go beyond the 9 protected characteristics set out in the statutory public-sector equality duty under section 149 of the Equality Act 2010, and will, in particular, consider socio-economic inequality.

Each member of the Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected groups.

The implementation of programmes and projects within the budget framework set by the budget for each body will be subject to a full and detailed assessment of the likely impact on individuals in protected groups before decisions are taken in accordance with the PSED and the emerging Inclusive London strategy.

Funding Allocations

Part 2 sets out the Mayor's proposed funding allocations to the constituent bodies. The funding allocations are not specifically aimed at persons who share a protected characteristic – albeit these allocations comprise a significant contribution to the total revenues for each individual body. However, it is recognised that changes to funding allocations compared to the previous year could, without mitigating action and depending on the spending decisions made by the bodies themselves, potentially have an adverse impact on: persons who share a protected characteristic - including through impacts on discrimination and other conduct prohibited under the Equality Act 2010; equality of opportunity; good relations between persons who share a relevant protected characteristic and those who do not; and the socio-economic status of groups and individuals.

The Mayor's proposed funding allocations for 2018-19 compared with the previous year are set out in section 1 of Part 2 under paragraph 1.26. Details of the additional allocations of funding by the Mayor compared to what was assumed in his draft budget are set out in section 5 of Part 1. In summary, the Mayor's proposed funding allocations:

- provide the functional bodies with as much certainty as possible over funding sources that are themselves uncertain and volatile;
- provide additional funding to MOPAC through
    - increasing the police precept by £12, in accordance with Home Office expectations;
    - allocating 1 per cent of the revenues raised from the 2.99 per cent increase in the non-police precept to MOPAC (allocated to MOPAC through increasing its retained business rates funding);
    - allocating the additional income resulting from council tax buoyancy being 2.4 per cent rather than the 2.0 per cent assumed in the draft budget (the non-police element of this is allocated to MOPAC through increasing its retained business rates funding);
    - allocating additional business rates funding that from 2019-20 will support an extra 1,000 police officers than would otherwise be affordable. In 2018-19 the additional business rates income will be used to reduce previously planned borrowing, which reduces capital financing costs. This saving will allow on-going support for the Met's Mental Health work in 2019-20 and later years. For 2018-19 the Mayor is supporting three additional projects: £2.1 million for Mental Health, £0.6 million for Violence Against Women and Girls (VAWG) and Female Genital Mutilation (FGM) campaigns and £0.4 million to fund a new Countering Violent Extremism programme.

- provide additional funding to LFC through
  - allocating part of the additional income raised from 1.99 per cent of the 2.99 per cent increase in the non-police precept, protecting it from the cuts in the former fire formula component of the GLA's Revenue Support Grant allocation (which has been rolled into the GLA's retained business rates income). The additional amount allocated to LFC is equal to the amount assumed in the draft budget with the remaining additional amount raised from council tax buoyancy being 2.4 per cent rather than the 2.0 per cent assumed in the draft budget being allocated to MOPAC; and
  - ensuring that LFC is not financially disadvantaged by the revised Southwark Fire Station deal by providing temporary funding from business rates.
- provide additional funding to the GLA: Mayor through
  - allocating an additional £45 million to create a fund (£15 million per annum for the 3 years to 2020-21) for projects to assist young people; and
  - Allocating funding of £27.4 million for other projects that include additional funding for environmental projects, a homelessness mental health pilot, economic fairness, and further publicity and research on childcare rights.
- provide additional funding to TfL through
  - allocating an additional £11.6 million to TfL in 2018-19. This sum will be apportioned using the existing needs formula and equates to an average of an additional £350,000 per borough. A provision of an additional £6 million to ensure that toilets are available to bus drivers on every route in London is also made; and
  - allocating an additional £75 million of business rates to TfL compared to 2017-18 for the one-off committed payment to TfL of the £75 million that was removed from its 2015-16 business rates allocation for its share of the GLA Group's business rates deficit from 2013-14 and 2014-15. Effectively this reflects a delayed committed payment to TfL that has been implemented now that the GLA is forecast to reach a cumulative business rates surplus by the close of 2017-18. The Mayor also proposes holding TfL council tax at the same cash level as in 2017-18 and allocating in full business rates (capital) funding replacing capital funding formerly received through Government grant;
- reduce resources allocated to OPDC from £6.9 million in 2017-18 to £6.8 million in 2018-19, after accounting for the impact of forecast underspends carried forward and use of the contingency allocated to OPDC from the GLA's Mayoral Development Corporation Reserve; and
- reduce overall the resources allocated to the LLDC (including factoring in the impact of previous years' carry forwards).

Other revenues

The funding allocations are not the only source of income for the constituent bodies. They are also supported through locally raised and retained fees and charges including public transport fares and the congestion charge for Transport for London, as well as through a range of other government grants for specific purposes. Any resulting reduction in a constituent body's income could have an effect on the ability of that body to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it. The impact will depend on the choices made by the constituent body and in making those choices the body is required to comply with the public-sector equality duty and also, as directed by the Mayor, the broad proposals to be fully defined in Inclusive London (the new equality framework due to be published in early 2018). Any reduction in a particular service, programme or project may have a greater impact on persons who share a protected characteristic (including the question of how it will affect socio-economic inequality in London, which will be included in the new equality framework), than on those who do not share such a characteristic. However, some reductions in services will not particularly affect people with protected characteristics, or will only particularly affect those with certain protected characteristics.

If the constituent bodies cannot mitigate any shortfall in funding through making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that the constituent bodies provide a wide range of services, targeting or impacting upon persons who share a protected characteristic, there could be an impact upon such persons or groups as a result.

Impact of funding allocations and other revenues

It is not possible to predict how the proposed changes for 2018-19 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made by each constituent body on the allocation of its funding allocation from the Mayor and its other revenues. In exercising their functions, including when making policy and spending decisions, the constituent bodies are required to comply with the public sector equality duty and the broad proposals to be covered in more detail in the developing equality framework. Compliance with the PSED is necessarily iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken. The constituent bodies will continue to undertake this at a budget level and in the implementation of their individual policies, programmes and projects.

The Mayor's proposed funding allocations do provide some mitigation of the potential impacts on persons who share a protected characteristic. They have been determined following a lengthy budget development process which has included the constituent bodies responding to budget guidance issued by the Mayor with budget submissions scrutinised and approved by them before formal submission to the Mayor. Throughout this process constituent bodies have been encouraged to consider equality and diversity issues and they have taken their own steps to comply with the public sector equality duty and the broad proposals to be set out in detail in Inclusive London. An initial high-level summary of the equality implications of each constituent body was set out in the budget consultation document "GLA Group Budget Proposals and Precepts 2018-19", published in December 2017.

Also, the funding allocations provide funding protections for the functional bodies by providing them with as much certainty as possible over funding sources that are themselves uncertain and volatile; increasing funding for the police through increases in the precept and business rates; providing additional funding to the LFC through the precept to offset the impact of the additional grant cuts; making the one-off committed repayment to TfL of the £75 million removed from its business rates allocation in 2015-16 and passing on in full the retained business rates for TfL capital investment replacing former Government grant; and managing the uncertainties inherent in the retained business rates system through the Mayor's Business Rates Reserve.

Impact of increasing the council tax precept

For 2018-19, a financially balanced budget is proposed based on various new initiatives and service improvements, savings and efficiencies, income changes and use of reserves across all the constituent bodies.

The Mayor proposes an increase in the Band D precept paid by residents of the 32 London Boroughs from £280.02 to £294.23 – an increase of £14.21 or 5.1 per cent. This reflects the Mayor's additional funding allocated to MOPAC through an increase in the police element of the precept, and the additional income from the 1 per cent of the 2.99 per cent increase in the non-police precept and the additional income from council tax buoyancy being greater than assumed in the draft budget, which are also allocated to MOPAC. It is also reflects part of the additional income generated from 1.99 per cent of the 2.99 per cent increase in the non-police precept, equal to the amount assumed in the draft budget, that is allocated to LFC. The proposed 2018-19 precept for the Common Council of the City of London which is outside the Metropolitan Police district is £76.10 – 2.99 per cent greater than in 2017-18.

Council tax is a regressive tax because the size of property does not equate to size of income of the occupier and the occupiers of the most expensive properties only pay twice the level of council tax paid for the average property. The Mayor has carefully considered this in proposing his precept increase and has taken the difficult decision to increase the precept and provide additional funding to the police and fire services in the light of his manifesto commitment to increase the council tax where it is necessary to keep Londoners safe.

The impact on council tax payers of the Mayor's proposals will depend on their household make up, whether the property is empty or used as a second home and whether they pay council tax in full, in part or are exempt from payment due to their household income or personal circumstances.

The GLA precept element of the council tax will increase for all individuals who pay council tax in full (although this could be compounded by increases in the billing authority element of the council tax, particularly for adult social care, but dependent on each individual billing authority's council tax proposals). The additional amount payable will be dependent on the council tax banding of the council tax payer's relevant property. The £14.21 increase to the Mayor's precept applies to properties in Band D. An individual whose bill falls in Bands A to C or E to H will pay proportionately less or more respectively.

This is set out in the table below.

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

Band	2018-19	2017-18	Change
Band A	£196.15	£186.68	£9.47
Band B	£228.85	£217.79	£11.06
Band C	£261.54	£248.91	£12.63
Band D	**£294.23**	**£280.02**	**£14.21**
Band E	£359.61	£342.25	£17.36
Band F	£425.00	£404.47	£20.53
Band G	£490.38	£466.70	£23.68
Band H	£588.46	£560.04	£28.42

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

Council Tax Support

Individuals who are exempt from paying council tax or who are eligible for council tax support for 100 per cent of their bill will experience no direct impact from an increase in council tax.

However, the availability of full council tax support varies depending on the council tax payers' place of residence and whether they have reached or are below their pension credit qualifying age. In April 2013, decision-making on the award of council tax benefit for working age households was localised to individual borough councils / billing authorities. The Government also granted billing authorities the ability to revise exemption and discount policies for second and empty homes. These policies are determined in London by each of the 32 London boroughs and the Corporation of London subject to consultation with the Mayor and other key stakeholders.

Under the localised system eligible pensioner households continue to receive council tax benefit as previously but the billing authorities are free to introduce their own local schemes for working age claimants below pension credit age. Of the 33 London billing authorities, in 2017-18 eight protected working age claimants by providing full council tax support on broadly the same basis as prior to 2013-14 subject to applicable uprating for inflation and other parallel changes in national polices for means tested benefits. The remaining 25 have local schemes which require some or all working age claimants to contribute to the cost of the scheme by paying a share of their council tax liability (up to 33 per cent in one case) or through adjustments to other criteria. For example, in some cases any impact is restricted to council tax payers in higher property bands, or who are not members of defined groups.

Council tax schemes for 2018-19 are not required to be confirmed until 11 March 2018 as the Government has extended the deadline from the 31 January date used in previous years. The GLA will therefore not have details of all council tax support schemes in London until after the Mayor's budget has been set.

In 2018-19, based on consultation proposals issued so far, the GLA understands that the minimum contribution for working age claimants could again be as much as 33 per cent of their council tax liability in at least one billing authority although in up to eight working age claimants will continue to receive up to 100 per cent support. Some authorities – four in 2017-18 – may again also only pay council tax support up to the equivalent Band D or E rate and therefore working age claimants residing in properties in Bands E to H would not in all cases receive additional support for the difference.

There are also different policies applied to different client groups. For example, some authorities apply their policies consistently to all working age claimants whereas others offer greater levels of support to certain vulnerable working age groups (e.g. disabled people, lone parents with young children and war widows). A majority of boroughs have also removed the 25 per cent second adult rebate for two person adult households where one adult is on a low income. Savings limits above which council tax support starts to be withdrawn for working age households vary from £6,000 to the default national guideline of £16,000 (which applies to pensioner claimants not eligible for the guaranteed element of pension credit) in different boroughs.

Those who will feel the greatest impact from the increase in council tax are likely to be those whose circumstances mean that they are only slightly above the level at which they would become eligible for some council tax support. It is not possible to give a threshold of savings or income (or similar) below which an individual would be eligible for council tax support, or above which a person will not be eligible for council tax support because of the way in which benefits are calculated, the number of factors that must be taken into account, and the different schemes in operation in the London boroughs. However, it is likely that those whose financial circumstances place them only just above their local council tax support eligibility threshold will also have low levels of income/savings, relative to the rest of the population.

Eligibility for council tax support will therefore vary across London as it will depend on the local scheme determined by each London billing authority. In designing their schemes these local authorities are required to consult with stakeholders when they make changes and are required to have regard to equalities legislation and duties when approving them.

The GLA does not have diversity data in respect of the 33 local council tax support schemes at individual property level which could be used to inform an assessment of the likely percentage of people in this group having a particular protected characteristic. Although, probably it can be assumed that, in general, those with lower income/savings relative to the rest of the population (but nevertheless above their local council tax support eligibility threshold) will include greater proportions of disabled people; black, Asian and minority ethnic groups; women on maternity leave; lone parents (who are normally women); and families with young children than are present in the Greater London population as a whole. The increase in council tax marginally reduces their disposable income in both cash and real terms. For a working age claimant on a low income paying a minimum liability of 33 per cent (in a borough where that applies) the increase in the Mayor's precept would equate to around 9 pence per week.

It should also be noted that the majority of the council tax increase is being introduced to safeguard police numbers and crime disproportionately affects those who have lower levels of income/savings, with the remainder of the increase being used to ensure the London fire service is adequately funded.

These variations in the schemes arise because of the Government's decision to localise decision making on the setting of council tax support which means that working age claimants are subject to significant variations in their entitlements depending on where they live and the resources available to, and choices made by, their local authority. This is a regrettable consequence of this policy decision over which the Mayor has no direct control.

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

The budget plans include the impact of the Mayor's decision to freeze all TfL fares at 2016 levels for four years. TfL forecast that an average household will save around £200 by 2020.

The freeze in TfL fares means that everyone buying a bus or tram ticket in London will pay no more in 2018 than they did in 2016. Pay as you go (PAYG) journeys on the Tube, DLR, Emirates Airline and rail services where TfL fares apply have been frozen. Hire and access on Santander Cycles have also been frozen.

In partnership with London Councils the Mayor has maintained all TfL travel concessions, providing more than £300 million of free or discounted travel every year to children, people over 60, those on income support, and other socially disadvantaged groups.

In addition, the Mayor introduced the 'Hopper' fare in September 2016 allowing customers to make an extra bus journey free, as long as it is within one hour of touching in on the first bus. In early 2018 the Hopper fare will be extended to allow unlimited bus and tram transfers within the hour.

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

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

3. Advice on 2017-18 financial monitoring

What are the arrangements for monitoring in the GLA and the functional bodies?

In his 2018-19 Budget Guidance issued in June 2017, the Mayor set out the requirement that the GLA and its functional bodies improve the timeliness and quality of information in their quarterly monitoring reports. In particular, the aim is that all quarterly monitoring reports will within a year include both financial and performance information. The Budget Guidance also required the integration of capital and revenue planning together in each functional body's quarterly report.

These requirements built on the robust systems already in place for regular financial monitoring and reporting within each member of the GLA Group. The reports detail spending against profiled estimates and provide explanations of significant variances and proposals for any necessary corrective action. Progress on new initiatives, performance against key indicators and outturn estimates against approved budgets are also identified and explained. As the requirements of the users of the reports evolve the format and content is being adjusted. This is an iterative process that is developed as new requirements are identified and the processes required to collate the necessary data are established.

Meetings between the Mayoral team and the GLA and each of its functional bodies are held to consider the quarterly reports. These include discussion of progress with identifying and realising efficiencies and savings as well as potential future variances from budget. Regular officer meetings between the GLA and each functional body are held to discuss the budget process and to advise of any subsequent developments and resolve any queries that might arise. The reports are submitted on a quarterly basis to the Assembly's Budget Monitoring Sub-Committee for each GLA Group member and scrutinised by the Committee.

Part 2 sets out the forecast outturn for each functional body for 2017-18 although it should be noted that these figures are likely to change before the end of the year.

Conclusion

An assessment of the current year's financial outturn is an important element in budgetary and precept deliberations for the forthcoming year. With further spending activity still to take place in respect of this financial year up to 31 March 2018 and with crucial transactions taking place beyond that date in finalising the accounts for the GLA and the functional bodies, it is not possible to say that other variations will not arise.

The processes in place throughout the GLA Group and the responsibilities placed on each Chief Finance Officer do however ensure that the outturn position is closely monitored, controlled and taken into account in preparing the estimates of income and expenditure for 2018-19. In particular, each body monitors progress against delivery of their budget and business plans, instigating any necessary remedial action. In turn, this monitoring is reported and reviewed by GLA finance officers and considered by both the Mayor and the Assembly on a regular basis. Processes are also in place to ensure expenditure is controlled within the resources finally approved for each organisation.

4. Advice on reserves and balances

Section 25(1) (b) of the Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA's statutory Chief Finance Officer, to report on the adequacy of the proposed financial reserves. This is covered within the information and advice provided below.

What are reserves and balances?

When reviewing their medium term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves.

Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of **general reserves**;
- a contingency to cushion the impact of unexpected events or emergencies – this forms part of **general reserves**; and
- a means of building up funds to meet known or predicted requirements – this is often referred to as **earmarked reserves**.

What are the appropriate amounts to be held in reserves?

The existing legislation requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. It is the responsibility of the Chief Finance Officer to advise the authority about the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use.

The protocols should set out:

- the reason for/purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on local authority reserves and balances. The Institute's view is that *"a generally applicable minimum level* [of reserves] *is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice"*.

The Institute confirms that *"local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers"*, and that *"authorities should make their own judgements on such matters taking into account all the relevant local circumstances"*. In assessing the adequacy of reserves, the Chief Finance Officer should take account of the strategic, operational and financial risks facing the authority, as well as the importance of considering medium-term plans and forecasts of resources, in addition to short-term considerations.

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves. However, the Government has undertaken to apply this only to individual authorities in circumstances where an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.

An authority's external auditor also has a responsibility to review the arrangements in place to ensure that financial standing is soundly based. This includes reviewing and reporting on the level of reserves, taking into account their local knowledge of the authority's financial performance over a period of time. It is not the external auditor's responsibility to prescribe the optimum or minimum level of reserves for an individual authority or authorities in general.

Advice: Below is advice on reserves and balances for the GLA and each of the functional bodies reflecting advice received from their own statutory Chief Finance Officers. Further commentary on reserves is outlined within the GLA and each functional body's section in Part 2 of this Final Draft Budget, as well as in their individual published budget proposals.

(a) Greater London Authority: Mayor of London

No changes are proposed to the GLA's policy on reserves and the policy will be kept under review during 2018-19. The impact of the business rates retention pool in London, the effect of business rate payer appeals, the 2017 business rates revaluation and the upside and downside risks associated with council tax income will continue to be closely monitored. This will help ensure that volatility in the level of business rates retained by the GLA and in council tax income can be effectively dealt with, as well as ensuring that the Mayor's priorities can be implemented.

General reserves

At 31 March 2018 the GLA's general reserves balance is forecast to total £10.0 million. This balance is assumed at this stage to remain constant through to the end of 2021-22. The GLA's current policy is to maintain a minimum general reserve balance of £10.0 million.

Capital programme reserve

A capital programme reserve has been established to support capital investment on the Mayor's priorities, including affordable housing, energy and environment, which fall outside of schemes funded by central government. It is forecast to have a closing balance of £67.1 million at 31 March 2018. In 2018-19 and subsequent years it is forecast to reduce, reaching £46.1 million in 2021-22. Plans are being developed on how this remaining sum will be allocated.

Earmarked reserves

The balance on reserves earmarked for GLA services (excluding the Mayoral Development Corporation Reserve and the Business Rates Reserve) is expected to be £109.2 million at the end of 2017-18. The reserves are forecast to reduce to £52.8 million by 2021-22. Within the earmarked reserves balance are amounts for the New Homes Bonus grant, set aside to fund regeneration schemes to be carried out by London boroughs, as well as funding for exceptional repairs and maintenance across the GLA estate; it is not possible at this stage to profile when these balances will be spent.

Mayoral Development Corporations Reserve

The Mayoral Development Corporations (MDC) Reserve includes provisions held to support LLDC and OPDC expenditure; neither body holds their own reserves. The reserve is forecast to be £22.0 million at the end of 2017-18; in part, the balances have been built up from underspends by the Development Corporations in previous years. In 2018-19 it is planned to use balances from the reserve to support both LLDC and OPDC's revenue budgets. From 2019-20 onwards the reserve is forecast to remain at £4.1 million based on a contingency of £2.4 million held for unexpected costs arising within LLDC and OPDC and the £1.7 million of specific contingency funding that remains unallocated for OPDC activity (after allowing for OPDC's forecast 2017-18 underspend). This represents a prudent level of reserves held to provide support in the medium term, should it be required.

Business Rates Reserve

The balance on the Business Rates Reserve is forecast to be £188.2 million at the close of 2017-18 and remain at the same level throughout the period to 2021-22. The Business Rates Reserve is used to manage business rates income risk. The forecast balance on the reserve reflects current assumptions of its adequacy; £188.2 million is 6 per cent of the GLA's estimated business rates income receivable in 2018-19 (gross of its estimated share of the tariff payment payable to the Government through the London pool). This is in line with the largest change seen between the GLA's share of the business rates as forecast by the billing authorities and actual outturn, since the introduction of the localised retained rates system.

With the new pooling arrangements there is a more favourable safety net threshold which would imply a reduction in this reserve. However, as the pool pilot is not guaranteed to continue, there is still uncertainty around the appeals process and the increased business rates income is at this stage based on forecasts, the Executive Director of Resources advises that it would be appropriate to maintain the Business Rates Reserve at £188.2 million as a contingency, given that the Mayor plans to commit the additional business rates income prudently identified as recurring on an ongoing basis to MOPAC.

GLA conclusion

The Chief Finance Officer of the GLA judges the GLA's level of reserves to be prudent in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review, particularly in the light of the volatility of locally retained business rates.

(b) Greater London Authority: London Assembly

Many of the GLA's non-election related reserves relate to accommodation or to other cost issues such as legal fees, the environment and estates, and the Assembly and its staff effectively have access to these reserves on the same basis as the rest of the GLA. The Mayor's proposed budget includes a forecast earmarked Assembly Development and Resettlement Reserve of £1.5 million as at 1 April 2018, which is included within the earmarked reserves total for the GLA: Mayor as set out above. The main purpose of this reserve is to fund resettlement costs when Assembly Members leave office.

(c) MOPAC

MOPAC is forecasting general reserves of £46.6 million as at 31 March 2018; this level of reserves is forecast to maintained across the budget period to 2021-22. MOPAC's policy is to hold general reserves of at least 1.5 per cent of net revenue expenditure; this level of reserves represents in excess of 1.5 per cent of the forecast outturn net revenue expenditure in 2017-18, in line with MOPAC's policy.

Earmarked reserves are forecast to reduce from £142.0 million at the end of 2017-18 to £113.0 million at the end of 2018-19 and to be reduced further to £89.8million at the end of 2021-22. Earmarked reserves are being held for specific purposes, including investment in the Met's transformation and change programme, and managing one-off impacts to the medium-term budget. The forecast total balance by 2021-22 reflects planned spend on the programmes for which the reserves are held. It is important to note that when plans have not been confirmed for a project, its costs are not removed from the reserves. Therefore, the figures tend to overstate the earmarked reserves that are likely to be held at the end of the four-year period.

MOPAC conclusion

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

(d) London Fire Commissioner / London Fire and Emergency Planning Authority

LFEPA's general reserves at 31 March 2018 are forecast to be £13.8 million. They are assumed to remain at the same level across the period to 2021-22. These reserves are based on a level equivalent to 3.5 per cent of the current financial year's budget, in line with LFEPA's policy.

It is forecast that LFEPA will hold £32.0 million of earmarked reserves at 31 March 2018; these reserves will decrease in each of the following years to £16.2 million by the end of 2021-22, as the budget flexibility reserve is fully drawn down.

Also within the earmarked reserves balance is £5.7 million put aside for additional resilience requirements, identified following the London Fire Brigade Commissioner's initial review of response to the Grenfell Tower fire and terrorist incidents, as well as £3.7 million funding for London Safety Plan 2017 implementation. Whilst these amounts are expected to be utilised over the budget period, it is not possible at this stage to profile when these balances will be spent.

The level of reserves will be kept under review and will reflect any updated assessments of financial risks. LFEPA's reserves as at 31 March 2018 will be transferred to the LFC from 1 April 2018.

LFC / LFEPA conclusion

The level of reserves is judged prudent by the Chief Finance Officer of LFEPA in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review.

(e) Transport for London

At 31 March 2018 TfL forecasts general reserves of £150.0 million and these balances are forecast to remain at the same level throughout the period to 2021-22. TfL also maintains a minimum prudent level of cash and short-term investments of around £500 million to ensure that it has sufficient liquidity to meet its financial obligations.

TfL forecasts earmarked reserves of £698.8 million at the end of 2017-18, increasing to £1,144.9 million in 2018-19; by the end of the period earmarked reserves are forecast at a level of £718.0 million in 2021-22. The earmarked reserves are held for capital spending purposes and their movement reflects planned spending on TfL's capital programme, outlined in TfL's Business Plan, published in December 2017.

TfL conclusion

The Chief Finance Officer of TfL considers that the level of reserves is appropriate to meet general requirements in the context of known future liabilities, risks and funding uncertainties facing the Corporation.

(f) London Legacy Development Corporation

As at 31 March 2018 LLDC will not hold any reserves. The LLDC's historic reserves are held within the MDC Reserve, part of the GLA's reserves. LLDC's revenue expenditure and a significant proportion of its capital programme are funded by the GLA, the latter through direct grant contributions and a rolling loan facility. The loan is anticipated to be repaid through surplus capital receipts from the sale of development land (further details on this and the Mayor's plan to cap LLDC borrowing are set out in Section 9 of Part 2 of this budget). The LLDC and GLA carefully manage upside and downside risks associated with LLDC's expenditure and the impact of any such risks can be managed within the GLA budget both through the use of contingency sums held within the budget and where necessary through the usage of the MDC Reserve.

LLDC conclusion

The Chief Finance Officer of the LLDC, taking into account the management of any upside and downside risk through LLDC's own budget and noting the support of the GLA as set out above, considers that the level of reserves held within the MDC Reserve is prudent in the context of current known liabilities, but this will need to be kept under review in the light of future funding needs.

(g) Old Oak and Park Royal Development Corporation

OPDC has no reserves. A contingency is held within the earmarked MDC Reserve held by the GLA, as outlined above.

OPDC conclusion

The Chief Finance Officer of OPDC, having taken into account that it is has potential access to the Mayor's MDC Reserve, considers that the reserves position is prudent, but will need to be kept under review in the light of future funding needs.

General conclusion

The above advice reflects the differing nature of the services provided by each organisation. Each body operates independently with its own statutory responsibilities for the proper administration of its financial affairs. The GLA's Executive Director of Resources relies on the individual advice from each of the Chief Finance Officers of the functional bodies in discharging his responsibilities.

The forecast use of reserves to March 2022 is summarised in the table below.

	GLA £m	MOPAC £m	LFC/ LFEPA £m	TfL £m	LLDC £m	OPDC £m	Total
Opening balances 1 April 2017	**332.7**	**239.6**	**37.1**	**1,212.4**	**0.0**	**0.0**	**1,821.8**
Movement on Earmarked reserves	63.9	-51.0	16.0	-363.6	0.0	0.0	-334.7
Movement on General reserves	0.0	0.0	-7.7	0.0	0.0	0.0	-7.7
Balances 31 March 2018	**396.6**	**188.6**	**45.3**	**848.8**	**0.0**	**0.0**	**1,479.4**
Movement on Earmarked reserves	-6.9	-29.0	0.4	446.1	0.0	0.0	410.6
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances 31 March 2019	**389.7**	**159.6**	**45.8**	**1,294.9**	**0.0**	**0.0**	**1,890.0**
Movement on Earmarked reserves	-37.7	-22.2	-11.4	-480.0	0.0	0.0	-551.3
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances 31 March 2020	**352.0**	**137.4**	**34.4**	**814.9**	**0.0**	**0.0**	**1,338.7**
Movement on Earmarked reserves	-49.8	-1.0	-4.2	-187.6	0.0	0.0	-242.6
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances 31 March 2021	**302.2**	**136.4**	**30.1**	**627.3**	**0.0**	**0.0**	**1,096.1**
Movement on Earmarked reserves	-0.9	0.0	-0.1	240.7	0.0	0.0	239.7
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balances 31 March 2022	**301.3**	**136.4**	**30.0**	**868.0**	**0.0**	**0.0**	**1,335.8**

There are forecast reductions in the reserves of the GLA, MOPAC and LFC / LFEPA between 31 March 2018 and 31 March 2022, with an increase in TfL's. This results in a net overall reduction of £143.6 million from 31 March 2018 to 31 March 2022, reflecting the planned use of earmarked reserves. Of the forecast balance on reserves of £1,479.4 million at 31 March 2018, around £220 million is held in general reserves – including £150.0 million for TfL.

In conclusion, the Mayor's budget proposals are consistent with the advice provided on reserves and balances. The use of reserves and balances will continue to be kept under close review during 2018-19 and in future years.

5. Advice on council tax requirements and referendums

Component and consolidated council tax requirements

The Mayor must calculate council tax requirements for the Mayor, the Assembly, and the five functional bodies. These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA Group's consolidated council tax requirement (s.85 and Schedule 6 ("Schedule 6"), paragraph 1, GLA Act).

Procedure for determining the council tax requirements

The determination of the component and consolidated council tax requirements has taken place following the publication of the Government's final local government finance settlement.

The council tax requirement for each body is calculated by determining the difference between projected expenditure, and projected income excluding income from any precept. Insofar as expenditure will exceed income, that amount is the body's component council tax requirement for the year (s.85 (6) GLA Act). The Mayor must also consult the Assembly and functional bodies and others as appear appropriate to the Mayor before preparing the draft component budgets for the Assembly and functional bodies (s.87 and paragraph 2 of Schedule 6 GLA Act and s.65 Local Government Finance Act 1992).

What are the rules on council tax referendums?

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the GLA Act and Chapter 4ZA of the Local Government Finance Act 1992, as amended. The effect is that there is a requirement for a council tax referendum where the proposed increase in the GLA precept exceeds the threshold set out in the Local Government Excessiveness Principles laid by the Secretary of State and approved by the House of Commons for the same financial year as the budget.

As a result of the way the Metropolitan and City of London Police Forces are funded, the GLA is required to calculate two different "relevant basic amounts of council tax" (on the basis of the council tax Band D) for the City of London (the unadjusted basic amount of council tax) and the 32 London boroughs (the adjusted basic amount of council tax). Both these amounts must be in compliance with the Government's excessiveness principles if a council tax referendum is to be avoided.

If either or both council tax calculations exceed the threshold under the excessiveness principles (e.g. even if only the calculation applying to the City of London exceeds it), a referendum of local electors across the 32 London boroughs must be held. If the adjusted basic amount of council tax only is excessive under the principles electors in the area covered by the Corporation of London do not participate in the referendum but if the unadjusted amount is excessive they do alongside electors in the rest of London. The Mayor is under a duty to determine whether either or both of the two council tax figures are excessive under the principles applying to the GLA. The Mayor's formal determination in relation to this is set out at paragraph 6.2 in Part I of this Budget report.

On 6 February 2018, alongside the final local government finance settlement, the Government published the regulations setting out the council tax referendum thresholds for 2018-19 – the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2018/19'. This was approved by the House of Commons alongside the 2018-19 Local Government Finance Report on 7 February.'

On the basis of these principles a referendum would be required for the GLA if the unadjusted amount of council tax (i.e. the non-police precept) were increased by 3 per cent or more and the adjusted amount of council tax (i.e. the total Band D precept payable in the 32 boroughs) were increased by more than £14.21 (i.e. £12 for policing plus £2.21 – £2.21 being the equivalent of an increase of 1 pence less than a 3 per cent rise in the non-police precept).

The GLA is not required to make levy payments to levying bodies – as for example applies for London boroughs in respect of the Environment Agency, Lee Valley Park Authority and the London Pensions Fund Authority - and therefore the baseline against which the principles are measured is the actual unadjusted and adjusted council tax figures for 2017-18.

Position regarding the City of London

The unadjusted basic amount of council tax proposed by the Mayor for 2018-19 in his final draft budget is £76.10 – which is the sum payable by council tax payers in the City of London. This is £2.21 higher than in 2017-18.

Position regarding the 32 London boroughs

The proposed adjusted basic amount of council tax proposed is £294.23 for a Band D property (i.e. £218.13 for the Metropolitan Police plus £76.10 for non-police services) – this is the sum payable by taxpayers in the 32 London boroughs. This is £14.21 or 5.1 per cent higher than the corresponding figure for 2017-18 of £280.02.

The adjusted and unadjusted amounts of council tax are therefore both lower than the council tax referendum thresholds that will apply for 2018-19 (i.e. £294.24 and £76.11). The final draft budget is compliant with the excessiveness principles for 2018-19 and would therefore not trigger a council tax referendum in either the 32 London boroughs (the area where taxpayers are liable to pay the adjusted relevant basic amount of council tax) or the area of the Common Council of the City of London (the area where taxpayers are liable to pay the unadjusted figure).

Substitute budget

In the event that the final draft budget did not comply with the principles the Mayor would be required to present, additionally, a substitute budget that did comply. This, subject to any amendments agreed by the required two thirds majority in the final draft budget, would become the default budget if the referendum seeking approval for an increase above the threshold was lost. This substitute budget would be in effect one consistent with an unadjusted council tax of £76.10 (in the area of the City of London) and/or an adjusted council tax of £294.23 (in the 32 London Boroughs) depending on which (or both) council tax amount(s) is/are "excessive". These being the council tax amounts proposed by the Mayor in this final draft budget.

The Mayor's final draft budget in this scenario would then be subject to a London-wide referendum (even if the "excessive" increase only applied to the precept payable by taxpayers in the area of the City of London). If the final draft budget was rejected in that referendum then the alternative substitute final budget would become the final budget for the year. No such substitute budget has been prepared as the Mayor is proposing a precept level which, on present information and expectations, would not trigger a referendum.

6. Advice on future plans

What are the medium-term planning arrangements?

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

Appendix I of Part 2 of the Budget sets out the prospects for the GLA and GLA Group for future years. It emphasises that there remains much uncertainty about the prospects over the next few years. Therefore, in setting council tax requirement levels for 2018-19 the Mayor and the Assembly should have regard not just to the in-year funding position for 2018-19 but also the overall uncertainty concerning the resources that will be available to the GLA Group in future years.

7. Advice on the limit on the Assembly's power to amend the Mayor's council tax requirement for the Assembly

What is the council tax requirement for the Assembly?

The GLA is required to determine a separate component council tax requirement for both the Mayor and the Assembly.

What is the restriction on the Assembly changing its own council tax requirement?

The Mayor proposes a council tax requirement for the Assembly as part of his Draft Budget. The Assembly may amend this but does not have to. However, the GLA Act places limits on the extent to which the Assembly can amend its own component requirement by reference to changes – up or down (if any) - in the budget for the Mayor's council tax requirement figure, as compared to the previous financial year.

- If the Mayoral council tax requirement figure increases then the Assembly cannot amend the budget to increase its own component requirement figure by a greater percentage.

- If the Mayoral council tax requirement figure decreases then the Assembly's amendment to its own council tax requirement (if any) can be equal to but not less than the percentage decrease made by the Mayor to his own council tax requirement i.e. the Mayoral decrease acts as a ceiling on any Assembly decrease.

The GLA Act uses the terms OM and NM in defining how this works in practice i.e. 'Old' Mayor and 'New' Mayor:

- 'Old' Mayor will be the notional council tax requirement for the Mayor for 2017-18;
- 'New' Mayor will be the Mayor's proposed council tax requirement for the Mayor for 2018-19 after any adjustments made; and
- The percentage change in the Mayor's council tax requirement from 2017-18 is calculated using these amounts.

The Assembly's council tax requirement for 2017-18 is then adjusted by the same percentage. This figure then becomes the '**adjusted previous component council tax requirement for the Assembly.**'

How is a like for like comparison ensured?

To facilitate a like for like comparison the Chief Finance Officer may direct amounts to be included or excluded from the comparison of the Mayor's council tax requirement for the Mayor with the notional council tax requirement for the Mayor for the preceding year. The Chief Finance Officer must have regard to any Secretary of State guidance on the direction (GLA Act Schedule 6, paragraph 5A).

Chief Finance Officer's direction

The Secretary of State has not issued any guidance on the direction and the Executive Director of Resources has directed that there are no adjustments he requires to facilitate a like for like comparison.

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

Using the GLA Act's methodology and applying it to the final draft council tax requirement figures, the Assembly could amend their own council tax requirement so that it would increase by an amount equal to the Mayor's proposal. This is because the Mayor is proposing a council tax requirement of £2.623 million (following the usual convention of setting budget requirements rounded to the nearest £1,000) and the application of the Act would allow the Assembly to amend its council tax requirement to £2.685 million. Any such decision by the Assembly would need to be mindful of the advice on council tax referendums, set out at section 5 of this document.

This is explained in the table below.

Mayor's Budget: Calculation of NM and OM	**£m**
Proposed council tax requirement for the Mayor for 2018-19	67.659
Deduct: Nil	-0.000
Add: Nil	0.000
NM (Mayor's adjusted council tax requirement for 2018-19)	**67.659**
Deduct: OM (notional Mayor's council tax requirement for 2017-18)	65.891
Add: Nil	0.000
Deduct: Nil	0.000
OM (notional Mayor's council tax requirement for 2017-18)	**65.891**
Amount NM is greater than OM council tax **requirement**	**1.768**
Percentage Increase	**2.68%**

Assembly Budget: adjusted previous component Council Tax Requirement	**£m**
Notional component Council Tax requirement for the Assembly for 2017-18	2.615
Add: Percentage change in NM compared with OM	0.070
Adjusted previous component Council Tax requirement	**2.685**

Legal Advice

1. Overview

This section of Part 3 to the Mayor's Final Draft Consolidated Budget sets out legal advice on the scope of the Assembly's amendment powers not covered elsewhere in the budget reports.

Details about council tax referendums and the limit on the Assembly's power to amend the Mayor's council tax requirement for the Assembly can be found in sections 5 and 7 of this document, alongside the advice provided by the Executive Director of Resources.

2. Scope of Assembly's amendment powers

<u>Statutory definitions</u>
Paragraph 1 of Schedule 6 of the GLA Act imposes a duty on the Mayor and the Assembly, in accordance with that Schedule, to prepare and approve for each financial year—
(a) a budget for each of the constituent bodies as such (a "component budget"); and
(b) a consolidated budget for the Authority (a "consolidated budget").

"Component budget" is defined as statements of—
(a) the amount of the component council tax requirement for each of the seven constituent bodies; and
(b) the calculations under section 85(4) to (7) of the GLA Act which give rise to that amount for each.

"Consolidated budget" is defined as statements of—
(a) the amount of the Authority's consolidated council tax requirement;
(b) the amount of the component council tax requirement for each constituent body; and
(c) the calculations under section 85(4) to (8) of the GLA Act which give rise to each of the amounts mentioned in paragraphs (a) and (b) above.

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

The Assembly's power to amend the final draft budget is limited to making changes to the figures required to be calculated under section 85 (4) to (8) of the GLA Act ("the statutory calculations") in respect of each of the component bodies' component budget and council tax requirements and the resulting consolidated budget and consolidated council tax requirement. This is because the GLA Act defines the component council tax requirement solely in terms of the statutory calculations.

In the event that any successful amendment to the final draft budget would give rise to an increase in council tax (adjusted and/ or un-adjusted relevant basic amount of council tax) that is excessive under the approved excessive principles then the Assembly must also approve substitute budget calculations that do not give rise to an excessive increase in council tax (as defined). This area is covered in Section 5 above.

Assembly's own component budget

As discussed above, the Assembly's right of amendment in respect of its own budget is limited. Any increase in the component council tax requirement for the Assembly cannot be more in percentage terms than any increase for the Mayor (which in any event is subject to the rules on excessiveness and council tax referenda – see section 5 above); where the Mayor's component council tax requirement has reduced, the Assembly's component council tax requirement is to be reduced by at least the same percentage (Schedule 6, paragraph 8A).

Amendments to the retained business rates allocation

The Assembly cannot amend the retained business rate allocation put forward by the Mayor in his final draft budget, although the Assembly could legally approve an amendment to that budget predicated on a different allocation figure, thereby changing the component and consolidated council tax requirement figures. Any business rates retention allocation figure approved by the Assembly as part of that process is not binding on the Mayor and only has the status of a proposal. This is because it does not fall within the definition of the final draft consolidated budget that the Assembly has the power to amend i.e. it falls below or underneath the level of the statutory calculations required by section 85 (4) to (8) that comprise the legal definition of the budget under the GLA Act 1999.

Amendment of underlying budget lines

In the same way the Assembly cannot amend budget lines that exist underneath or below the statutory calculations required by section 85 (4) to (8), i.e. it cannot amend the figures that give rise to those statutory calculations. The Assembly can only amend the statutory calculations themselves. This is because the budget is defined solely in terms of those calculations because they produce the council tax requirement.

Enforceability of successful budget amendments

Amendments to one or more of the statutory calculations in the Final Draft Budget passed by a two thirds majority of votes cast will amend that budget. The particular component council tax requirement and (potentially) the consolidated council tax requirement may change as a result. However, these amendments are not binding on the Mayor in the sense that he and/ or the constituent body concerned may make compensatory changes within the overall envelope of the amended component council tax requirement to vitiate its effect. In addition, the Mayor is not required to implement a "subject amendment" passed for a particular purpose, even where this involved a change to a statutory calculation figure.

Mayor's failure to present final draft budget

Again, subject to the issue of excessiveness, if the Mayor, having presented a Draft Budget, fails to present a Final Draft Budget, the Assembly must meet and agree by a simple majority the component council tax requirement of each of the constituent bodies, and the consolidated budget is deemed to have been agreed accordingly (Schedule 6, paragraph 7). This should not apply as the Mayor is presenting his draft consolidated budget to the Assembly on 22 February.

Assembly failure to approve final draft budget

Subject to the issue of excessiveness, the final draft budget approved by the Assembly (with or without amendment) is the GLA's consolidated budget for the financial year (Schedule 6, paragraph 8(6)). If the Assembly fails to approve the budget before the last day of February, the final draft budget presented to the Assembly will be the GLA's consolidated budget for the year (Schedule 6, paragraph 9).

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