

## **Mayor's background statement in support of his final draft consolidated budget for 2020-21**

### **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.

### **1 Introduction**

- 1.1 Part 1 of the Mayor's final draft consolidated budget sets out his final proposals in regard to council tax and the impact of the updated council tax and business rates forecasts received from the London billing authorities and how this has changed his budget proposals.

### **2 Final draft budget proposals**

- 2.1 Following the London Assembly Plenary on 29 January 2020, where no amendments to the Mayor's draft budget proposals were passed, the final draft consolidated budget confirms the Mayor's proposed increase in the Band D council tax, payable in the 32 London boroughs of 3.6 per cent from £320.51 to £332.07 in 2019-20. This means the police element of the precept will increase by £10 from £242.13 to £252.13, 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 £1.56 or 2.99 per cent from £78.38 to £79.94.

### **3 Impact of updated council taxbase and business rates retention forecasts for 2020-21 and estimated net surpluses for 2019-20 provided by the 33 London billing authorities**

#### **Introduction**

- 3.1 This section summarises the changes proposed to the Mayor's draft budget to reflect the forecast additional revenues expected to be received in council tax and retained business rates following the analysis of the statutory estimates submitted by the London billing authorities at the end of January 2020.

## Council Tax

- 3.2 The draft budget assumed that there would be a 2 per cent overall growth in the London-wide council tax base in 2020-21. Based on the approved figures reported to the GLA by the billing authorities there is a 1.56 per cent increase in the aggregate council tax base for tax setting purposes for the 33 billing authorities compared to 2019-20. As a result of this lower than forecast tax base growth, the Mayor's proposed Band D council tax precept of £332.07 will yield £4.2 million less precept income in 2020-21, of which £3.2 million relates to the policing element, compared to the figures assumed in the draft budget. An ongoing increase in council tax buoyancy of 1.5 per cent per annum is assumed for 2021-22 onwards, however this will be kept under review through next year's budget process.
- 3.3 The GLA's share of billing authorities' estimated collection fund surpluses at 31 March 2020 in respect of council tax is £17.4 million. This is £5.2 million higher than the £12.2 million figure assumed in the draft budget. This increase should be assumed to be one-off and the £12.2 million estimate has been retained for 2021-22 onwards. The draft budget did not allocate any of the assumed council tax collection fund surplus. Therefore, after allowing for the impact of the lower council tax base than forecast, which has reduced the estimated council tax revenues for 2020-21 by £4.2 million, the Mayor has a net £13.2 million available to allocate from the council tax collection fund surplus – some £1 million higher than the unallocated surplus set out in the Mayor's draft budget.

## Retained Business Rates

- 3.4 The draft budget assumed that there would be a broadly balanced collection fund position in respect of retained business rates at the end of 2019-20. However, based on the billing authorities' returns, the GLA's share of the overall net estimated collection fund surplus at 31 March 2020 in respect of business rates is £33.6 million. The net surplus, however, reduces to £15.9 million taking into account expected offsetting reductions in section 31 grant income for retail relief and other provisions. Of this remaining total, it is estimated that £5.9 million must be applied for strategic investment, in line with the distribution arrangements agreed for the 2019-20 London business rates pilot. This surplus should be assumed to be one-off and not recurring, as any additional growth arising from these surpluses if applicable will have been built into the forecasts for 2020-21 income.
- 3.5 There has also been a material increase in estimated business rate income for 2020-21 across the majority of the 33 billing authorities in London based on their January 2020 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 2020-21 available for services is £113.9 million higher than the sum allocated in the draft budget, after allowing for the tariff and levy payment on growth payable to the Ministry of Housing, Communities and Local Government (MHCLG) via the London pool, to support services elsewhere in England, and expected section 31 grant income receivable to fund the costs of Government funded business rates reliefs.
- 3.6 There is expected to be a reset of the business rates retention system in 2021-22, this is expected to alter each local authority's baseline and provide a new starting position from 2021-22 for growth to be measured against. The Government's planned reset could reduce the GLA's revenue in 2021-22, compared to the assumed income for 2020-21, depending on the level of the baseline set.

- 3.7 The GLA Group's baseline funding for 2021-22 onwards under the business rates retention system will also reflect the implications of the Government's Spending Review, expected to take place during 2020. This Review is expected to determine the overall national control totals for policing, local government and fire and rescue services for the following three financial years (i.e. 2021-22 to 2023-24). As part of the Spending Review, the Mayor will also have to negotiate a separate multi-year revenue and capital funding settlement with the Government for Transport for London and the GLA. Core Home Office Police Grant funding for MOPAC will be allocated through the national funding formula, based on the Spending Review envelope secured by the Home Office for policing and crime in England and Wales. Fire and rescue funding for the LFC will also be distributed through a national funding formula by the Home Office.
- 3.8 The Government is also expected to implement its fair funding review, which is likely to alter the distribution of resources for local government and potentially fire services in England. Independent exemplifications based on the Government's expected formulae and distribution mechanisms suggest that, as a result of the fair funding review, London as a whole could lose significantly compared to existing distribution patterns, albeit the likely impact is not uniform across the capital; final details will not be confirmed until later in 2020.
- 3.9 Details of the London-wide business rates 'pooling' arrangements for 2020-21 are described in Appendix I of Part 2 of this final draft budget. The allocations of retained business rates set out in this final draft budget are consistent with forecasts of income from the pooling arrangements for 2020-21. These forecasts reflect uncertainties including the final pool levy rate not having been confirmed and changes to business rates reliefs, announced by the Government in late January.

**Additional council tax and business rates income now available to be applied compared to draft budget**

Elements	£m
Council tax collection fund surplus for 2019-20	17.4
Reduction in actual council tax base from previous assumption	-4.2
<b>Net increase in council tax</b>	<b>13.2</b>
Net available business rates collection fund surplus for 2019-20	15.9
Additional 'core' business rates income for 2020-21	113.9
<b>Net increase in business rates</b>	<b>128.9</b>
<b>Total allocated to fund new expenditure</b>	<b>143.0</b>

- 3.10 Set out overleaf is the Mayor's proposed allocation of the additional income arising from the analysis of the billing authorities returns and the assessment of the additional resources available to allocate to services compared to the draft budget. Details of these allocations are described in section 4. The profile of these allocations may be subject to revision once the GLA and its functional bodies finalise their budgets in March.

**Proposed allocation of additional council tax and business rates income to GLA and functional bodies in 2020-21 and future years compared to draft budget**

Detail	Resources Allocated
	£m
<b>GLA:</b>	
Young Londoners Fund	25.0
Green New Deal	50.0
Community projects	0.5
GLA sub-total	75.5
<b>MOPAC:</b>	
New violence reduction initiatives	30.5
MOPAC sub-total	30.5
<b>LFC:</b>	
Transformation programme	2.2
LFC Sub total	2.2
<b>TfL:</b>	
Bus driver retention scheme*	34.0
Car Free Day	0.8
TfL sub-total	34.8
<b>Total additional funding allocated</b>	<b>143.0</b>

\*Bus driver retention scheme funding will be paid to TfL in the 2019-20 financial year.

## 4 Budget proposals

### Mayor of London

- 4.1 The Mayor proposes to allocate a further £25 million to build on the Young Londoners Fund, which was created in 2018-19 with an initial allocation of £45 million. This will provide new funding for projects and programmes that provide positive opportunities for young people and help steer them away from crime and includes funding for the Mayor's Sports Activities Fund. The Mayor is using every financial lever at his disposal to invest in youth and preventative services, and the GLA will be working in partnership with others to support youth centres, schools and sports activities. This funding will be allocated through the Communities and Skills budget. An additional £0.5 million will be allocated to Communities and Skills in 2020-21 for other community projects.

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- 4.2 The Mayor also proposes to establish a fund of £50 million to support the delivery of a Green New Deal for Londoners. The purpose of this fund will be to support projects aimed at reducing London's climate change emissions and other harmful environmental impacts, while equipping its citizens and businesses to benefit from the opportunities presented by the transition to a zero-carbon future. Areas of focus could include, for example, investment in energy efficiency and the electrification of heat and transport. The GLA will work with partners to identify and develop viable and well targeted projects. This could include work with other bodies in the GLA Group as well as other major public sector organisations, including London Boroughs, housing associations and the NHS, as well as commercial bodies. In allocating funding to projects, a range of factors will be taken into account, such as carbon savings and other environmental benefits, financial leverage (including both match funding and the ability to generate returns to expand the fund), cost effectiveness, fit with wider Mayoral priorities and programmes, potential to support innovation, and jobs and training opportunities generated.
- 4.3 The Mayor proposes no changes to the London Assembly's gross expenditure.

### **Mayor's Office for Policing and Crime (MOPAC)**

- 4.4 The Mayor proposes to allocate £30.5 million to new violence reduction initiatives. This is to include:
- peer-mentoring programmes for young people in Pupil Referral Units to help tackle the consequences of school exclusions, and funding for community groups as part of a hyper-localised approach to violence reduction; and
  - increased investment in programmes to tackle 'county lines' and to disrupt the drugs market in the capital, as well as funding to target persistent offenders and domestic abuse perpetrators as part of a joined-up approach to reducing offending.
- 4.5 The allocation of this funding between the Violence Reduction Unit, hosted by MOPAC, and its partner organisations will be confirmed in due course.

### **London Fire Commissioner (LFC)**

- 4.6 The Mayor proposes to allocate £2.2 million towards the LFC's transformation programme, including to address the recommendations from phase 1 of the Grenfell Tower Inquiry and the recently published report on the effectiveness of London's fire and rescue services from HMICFRS (HM Inspectorate of Constabulary and Fire and Rescue Services). It includes funding for a new Transformation Director, increased internal and external assurance, and additional training and systems development. The programme also includes £0.1 million towards counselling and wellbeing services.

### **Transport for London (TfL)**

- 4.7 The Mayor proposes to allocate a further £34.0 million to TfL in 2019-20 for a retention scheme for bus drivers. The Mayor has identified addressing the recruitment and retention of London bus drivers as one of his key priorities. Ensuring an appropriately skilled workforce of bus drivers in London, who are incentivised to remain in that role, is crucial to ongoing efforts to improve the safety and customer experience of London’s bus network. It is now proposed to introduce a retention payment scheme for bus drivers, operable until 2024, with payments at two and three years’ service, up to £1,600 per driver in total, as an incentive to remain employed as a bus driver. TfL will administer this retention payment scheme and the £34.0 million will provide funding for the operation of the scheme in the first year, when there will be many more drivers eligible for the payment than in subsequent years. Funding will be allocated to TfL in 2019-20 from the GLA’s business rates reserve. Additional business rates to be received in 2020-21 will enable a transfer to the reserve of £34.0 million in 2020-21 to return the reserve to its target balance of £188.2 million.
- 4.8 The Mayor also proposes to allocate a further £0.8 million to TfL in 2020-21 for a second Car Free Day. After the success of last year’s event, this funding will support a Car Free Day celebration in September 2020, to promote walking, cycling and public transport as well as improvements in air quality through a reduction in car use.

### **London Legacy Development Corporation (LLDC)**

- 4.9 The Mayor proposes no changes to the LLDC’s gross expenditure.

### **Old Oak and Park Royal Development Corporation (OPDC)**

- 4.10 The Mayor proposes no changes to OPDC’s gross expenditure.

## **5 The impact on local taxpayers and council tax referendum issues**

- 5.1 Details of the provisions for the holding of council tax referendums are set out in Part 3 of the final draft budget documents. The council tax referendum principles for 2020-21 were published by the Government on 6 February 2020 in ‘The Referendums Relating to Council Tax Increases (Principles) (England) Report 2020/21’. At the time of the Assembly’s consideration of the draft budget it was anticipated that the principles would be approved before the final draft budget was considered by the Assembly. However, the principles are not now expected to be formally approved by Parliament until the afternoon of 24 February, based on business statement announced by the Government on 13 February, but they are not expected to change from those set out in the published report. The published excessiveness principles state that an increase of more than £11.56 in the GLA’s relevant adjusted basic amount of council tax (i.e. the total precept payable in the 32 boroughs) and/or an increase of 2 per cent or more (i.e. more than £1.56) in the unadjusted basic amount (i.e. the non-police precept payable by taxpayers in the City of London) are deemed excessive for the purposes of the council tax referendum principles and would therefore require a referendum to be held.

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- 5.2 The Mayor has prepared this final draft budget for 2020-21 on the basis of the Government's published council referendum principles, for consideration by the Assembly. Accordingly, the Mayor makes a formal determination that his final draft budget is compliant with them and that no referendum would be required to be held if this budget is approved without amendment. Given the Government's clearly stated intentions and its parliamentary majority, changes to the published referendum principles are considered unlikely. It is therefore reasonable for the Assembly to proceed to consider the final draft budget on the basis of the Government's published referendum principles.

## **6 Recommendations concerning the final draft consolidated council tax requirement**

- 6.1 The Mayor is required to determine consolidated and component council tax requirements for 2020-21 and it is these that the Assembly has the power to amend. 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 London boroughs and City of London Corporation).
- 6.2 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.
- 6.3 In commending the budget proposals to the Assembly, the Mayor believes that Londoners recognise and support his plans to increase the police and non-police precepts to the maximum possible amounts without triggering a referendum to help maintain police officer numbers and to continue to provide the fire service with the resources it needs, in order to protect Londoners.
- 6.4 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.
- 6.5 On the basis of the information set out in this statement and accompanying documents, it is recommended that the Assembly approves, without amendment, the Mayor's final draft consolidated budget and the consolidated council tax requirement for the GLA and the functional bodies (GLA Group) of £1,010,907,032.68 as contained in Annex A.
- 6.6 The council tax requirement is after applying the GLA's share of the net surplus on the collection funds of the 33 billing authorities of £17.4 million which is split between the component budget for the Mayor of London and MOPAC for the purpose of these statutory calculations under sections 85 to 88 of the GLA Act.

**6.7 The Mayor's final draft consolidated council tax requirement is made up as follows:**

<b>Constituent body</b>	<b>Component council tax requirement</b>
Mayor of London	£66,591,241.42
London Assembly	£2,623,384.00
Mayor's Office for Policing and Crime	£767,054,360.26
London Fire Commissioner	£168,628,668.00
Transport for London	£6,009,379.00
London Legacy Development Corporation	£NIL
Old Oak and Park Royal Development Corporation	£NIL
<b>Total consolidated council tax requirement</b>	<b>£1,010,907,032.68</b>

**Annex A**
**Final draft consolidated component and consolidated council tax requirements  
2020-21**
**Greater London Authority: Mayor of London (“Mayor”) final draft component budget**

Line	Sum	Description
1	£1,759,092,399.98	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
2	£1,000,000.00	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
3	£52,995,189.06	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
4	£0.00	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act reflecting the collection fund deficit for retained business rates
5	<b>£1,813,087,589.04</b>	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	-£262,932,000.00	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	-£317,600,000.00	estimate of the Mayor’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
8	£0.00	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	-£1,096,134,408.06	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	-£7,362,539.56	estimate of the Mayor’s share of any net collection fund surplus for the 33 London billing authorities for council tax calculated in accordance with s85(5)(a) of the GLA Act
11	<b>-£1,684,028,947.62</b>	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	-£62,467,400.00	estimate of Mayor’s reserves to be used in meeting amounts in line 5 above under s85(5)(b) of the GLA Act
13	<b>-£1,746,496,347.62</b>	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	<b>£66,591,241.42</b>	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 2020-21 is £66,591,241.42.**

**Greater London Authority: London Assembly (“Assembly”) final draft component budget**

Line	Sum	Description
15	£8,415,000	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	£150,000	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	<b>£8,565,000</b>	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	-£5,941,616	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	<b>-£5,941,616</b>	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	<b>-£5,941,616</b>	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	<b>£2,623,384.00</b>	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 2020-21 is £2,623,384.00.**

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

Line	Sum	Description
29	£3,885,262,435.00	estimated expenditure of the MOPAC calculated in accordance with s85(4)(a) of the GLA Act
30	£0.00	estimated allowance for contingencies for the MOPAC under s85(4)(b) of the GLA Act
31	£0.00	estimated reserves to be raised for meeting future expenditure of the MOPAC under s85(4)(c) of the GLA Act
32	£0.00	estimate of reserves to meet a revenue account deficit of the MOPAC under s85(4)(d) of the GLA Act
33	<b>£3,885,262,435.00</b>	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	-£270,000,000.00	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	-£619,100,000.00	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
36	-£2,048,523,435.00	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	-£118,678,639.74	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	-£10,000,000.00	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	<b>-£3,066,302,074.74</b>	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	-£51,906,000.00	estimate of MOPAC's reserves to be used in meeting amounts in line 33 above under s85(5)(b) of the GLA Act
41	<b>-£3,118,208,074.74</b>	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	<b>£767,054,360.26</b>	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 2020-21 is £767,054,360.26.**

### London Fire Commissioner (“LFC”) final draft component budget

Line	Sum	Description
43	£489,516,000	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	£0	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	<b>£489,516,000</b>	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	-£39,793,000	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	-£33,228,000	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	-£232,871,332	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	<b>-£305,892,332</b>	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	-£14,995,000	estimate of LFC’s reserves to be used in meeting amounts in line 47 above under s85(5)(b) of the GLA Act
55	<b>-£320,887,332</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFC (lines (53) + (54) above)
56	<b>£168,628,668.00</b>	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 for 2020-21 is £168,628,668.00.

### Transport for London (“TfL”) final draft component budget

Line	Sum	Description
57	£7,148,261,000	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	<b>£7,148,261,000</b>	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	-£6,168,211,621	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	-£5,040,000	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	-£969,000,000	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	<b>-£7,142,251,621</b>	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	<b>-£7,142,251,621</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act (lines (67) + (68))
70	<b>£6,009,379.00</b>	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 2020-21 is £6,009,379.00.

### London Legacy Development Corporation (“LLDC”) final draft component budget

Line	Sum	Description
71	£65,687,000	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	<b>£65,687,000</b>	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	-£28,209,000	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	-£32,627,000	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	<b>-£60,836,000</b>	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	-£4,851,000	estimate of LLDC’s reserves to be used in meeting amounts in line 75 above under s85(5)(b) of the GLA Act
83	<b>-£65,687,000</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LLDC (lines (81) + (82) above)
84	<b>£0.00</b>	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 2020-21 is £0 (£NIL).

### **Old Oak and Park Royal Development Corporation (“OPDC”) final draft component budget**

Line	Sum	Description
85	£8,600,000	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	<b>£8,600,000</b>	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	-£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	-£7,800,000	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	<b>-£8,600,000</b>	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	<b>-£8,600,000</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for OPDC (lines (95) + (96) above)
98	<b>£0.00</b>	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 2020-21 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), Transport for London (TfL), the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).**

Line	Sum	Description
99	£1,010,907,032.68	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 2020-21 is £1,010,907,032.68.**

## Aggregate GLA Group budget for 2020-21

### Estimated Expenditure

£	GLA Mayor (including Group items)	GLA Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Total
Estimated expenditure	£1,759,092,400	£8,415,000	£3,885,262,435	£489,516,000	£7,148,261,000	£65,687,000	£8,600,000	£13,364,833,835
Estimated allowance for contingencies	£1,000,000	£0	£0	£0	£0	£0	£0	£1,000,000
Estimated reserves to be raised for meeting future expenditure	£52,995,189	£150,000	£0	£0	£0	£0	£0	£53,145,189
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
<b>Estimated total expenditure</b>	<b>£1,813,087,589</b>	<b>£8,565,000</b>	<b>£3,885,262,435</b>	<b>£489,516,000</b>	<b>£7,148,261,000</b>	<b>£65,687,000</b>	<b>£8,600,000</b>	<b>£13,418,979,024</b>

## Estimated Income and Calculation of Council Tax Requirement

£	GLA Mayor (including Group items)	GLA Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Total
Estimate of non-government grant income	-£262,932,000	£0	-£270,000,000	-£39,793,000	-£6,168,211,621	-£28,209,000	-£800,000	-£6,769,945,621
Estimate of specific government grant income	-£317,600,000	£0	-£619,100,000	-£33,228,000	-£5,040,000	£0	£0	-£974,968,000
Estimate of general government grant income	£0	£0	-£2,048,523,435	£0	£0	£0	£0	-£2,048,523,435
Estimate of Retained Business Rates income	-£1,096,134,408	-£5,941,616	-£118,678,640	-£232,871,332	-£969,000,000	-£32,627,000	-£7,800,000	-£2,463,052,996
Collection fund surplus for council tax	-£7,362,540	£0	-£10,000,000	£0	£0	£0	£0	-£17,362,540
<b>Estimated total income before use of reserves</b>	<b>-£1,684,028,948</b>	<b>-£5,941,616</b>	<b>-£3,066,302,075</b>	<b>-£305,892,332</b>	<b>-£7,142,251,621</b>	<b>-£60,836,000</b>	<b>-£8,600,000</b>	<b>-£12,273,852,592</b>
Estimate of reserves to be used	-£62,467,400	£0	-£51,906,000	-£14,995,000	£0	-£4,851,000	£0	-£134,219,400
<b>Estimated total income after use of reserves</b>	<b>-£1,746,496,348</b>	<b>-£5,941,616</b>	<b>-£3,118,208,075</b>	<b>-£320,887,332</b>	<b>-£7,142,251,621</b>	<b>-£65,687,000</b>	<b>-£8,600,000</b>	<b>-£12,408,071,991</b>
<b>Council tax requirement</b>	<b>£66,591,241.42</b>	<b>£2,623,384.00</b>	<b>£767,054,360.26</b>	<b>£168,628,668.00</b>	<b>£6,009,379.00</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£1,010,907,032.68</b>
<b>COUNCIL TAXBASE</b>	<b>3,050,446.24</b>	<b>3,050,446.24</b>	<b>3,042,297.07</b>	<b>3,050,446.24</b>	<b>3,050,446.24</b>	<b>3,050,446.24</b>	<b>3,050,446.24</b>	
<b>BAND D COUNCIL TAX</b>	<b>£21.83</b>	<b>£0.86</b>	<b>£252.13</b>	<b>£55.28</b>	<b>£1.97</b>	<b>£0.00</b>	<b>£0.00</b>	<b>£332.07</b>

# Part 2 Final Draft Consolidated Budget 2020-21

Explanation of Proposals

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## 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 Commissioner (LFC); Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).
- 1.2 The purpose of this document is to set out the Mayor's final draft consolidated budget and final draft capital spending plan, together with an updated capital strategy, for 2020-21.
- 1.3 For the seven "constituent bodies" (the Mayor, Assembly and the five functional bodies), the Mayor puts forward separate "component budgets" relating to the amount needed to balance each body's respective revenue expenditure, after allowing for revenue grants from the Government and retained business rates, where relevant. This is known as the "component council tax requirement". The aggregate of these seven "component" budgets gives the GLA Group Budget and the proposed figure of the GLA precept, known as the Authority's "consolidated council tax requirement".
- 1.4 The Mayor's key objective in this Budget is to support London's further success, entrepreneurial spirit, thriving economy, extraordinary diversity and creativity, tolerance and openness to the world.

### **GLA Group Capital Strategy**

- 1.5 The Mayor has requested that an updated Capital Strategy, setting out capital expenditure and funding plans for the next twenty years be produced. The GLA Group's draft Capital Strategy, which brings together information from the GLA and each of the functional bodies' draft Capital Strategies, is set out in Section 9 of this document and includes the GLA Group's draft statutory capital spending plan, as required under the GLA Act 1999.

### **Overall gross revenue and capital expenditure of the GLA Group**

- 1.6 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 and fares income.

- 1.7 Overall gross revenue and capital expenditure is proposed to increase by £1,247.3 million in 2020-21 compared to the 2019-20 forecast outturn. This increase is primarily driven by the requirement for the GLA to make estimated tariff and levy payments in 2020-21 totalling £905.6 million to MHCLG under the business rates retention scheme, following the Government's decision to end the 75 per cent business rates retention pilot in London. No such payments applied in 2019-20 as the GLA was nominally a top up authority and the pilot was exempt from a levy on business rates growth. Once these items are excluded, the remaining increase largely reflects the planned increase in police officer numbers, increased expenditure on adult education, reflecting the whole-year effect of its devolution from central government, new violence reduction initiatives, the creation of the Green New Deal for Londoners and the expansion of the TfL Rail network. This is partially offset by the GLA's planned contribution to towards the costs of completing of the Elizabeth line, based on the revised funding package agreed in December 2018, which is expected to reduce in 2020-21 compared to 2019-20.
- 1.8 After allowing for fares, charges, other income and use of reserves, gross revenue expenditure of £13,365.9 million for 2020-21 translates into net revenue expenditure to be financed from government grants, retained business rates, council tax collection fund surplus and the council tax precept totalling £6,514.8 million.
- 1.9 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2020-21 compared to the 2019-20 forecast outturn. The GLA: Mayor Group Items expenditure includes the above forecast of the GLA's tariff and levy payments under the business rates retention system – the funding for which is received from London billing authorities through the 37 per cent share of business rates income in London which the Mayor has been allocated by the Government in the local government finance settlement.

Total gross revenue and capital expenditure	Forecast	Budget	Change	Change
	Outturn			
	2019-20	2020-21	£m	£m
<i>Revenue:</i>				
GLA: Mayor (services)	611.5	842.7	231.2	38%
GLA: Mayor (Group Items)	57.9	917.4	859.5	1,485%
GLA: Assembly	8.5	8.4	-0.1	-1%
MOPAC	3,657.7	3,885.3	227.6	6%
LFC	473.1	489.5	16.4	3%
TfL	7,078.5	7,148.3	69.8	1%
LLDC	63.0	65.7	2.7	4%
OPDC	11.9	8.6	-3.3	-28%
<b>Total revenue</b>	<b>11,962.0</b>	<b>13,365.9</b>	<b>1,403.9</b>	<b>12%</b>
<i>Capital:</i>				
GLA: Mayor	2,112.0	1,713.0	-399.0	-19%
MOPAC	274.3	405.6	131.3	48%
LFC	33.2	37.4	4.1	12%
TfL	2,732.9	2,706.7	-26.2	-1%
LLDC	145.9	279.1	133.2	91%
OPDC	0.0	0.0	0.0	n/a
<b>Total capital</b>	<b>5,298.4</b>	<b>5,141.8</b>	<b>-156.6</b>	<b>-3%</b>
<b>Grand total revenue and capital</b>	<b>17,260.3</b>	<b>18,507.6</b>	<b>1,247.3</b>	<b>7%</b>

### Council tax precept

- 1.10 The GLA receives income from a council tax precept on London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London). Income from council tax balances the GLA Group's net revenue expenditure, after allowing for revenue grants from the Government and retained business rates.
- 1.11 A different council tax charge for GLA Group's services applies to the City of London, compared to the 32 London boroughs as it is outside the Metropolitan Police District. Council tax payers in the City of London therefore contribute towards the costs of the City of London Police rather than the Mayor's Office for Policing and Crime (MOPAC). As a result, council tax payers in the City of London pay the 'unadjusted' amount of council tax to the GLA (also known as the non-police precept). Council tax payers in the 32 London boroughs pay the 'adjusted' amount of council tax, which is made up of the unadjusted amount, for non-police services, and a separate element for policing services.

- 1.12 The unadjusted Band D council tax precept for non-police services in the City of London is proposed to increase by £1.56 or 1.99 per cent in 2020-21 – below the referendum threshold of 2 per cent, which was confirmed in the final referendum principles report for 2020-21, published by the Ministry of Housing, Communities and Local Government (MHCLG) on 6 February 2020. These principles are subject to approval by the House of Commons, which is expected to take place on 24 February, according to the House of Commons business statement published on 13 February. For planning purposes, the referendum threshold of 2 per cent is assumed to remain at the same level in 2021-22 and future years; forecasts of council tax income in these years are based on assumed increases up to this threshold, together with assumed council tax buoyancy.
- 1.13 The Mayor proposes to increase the adjusted Band D council tax charge, which includes additionally the element for policing and is payable by taxpayers in the 32 London boroughs, by £11.56 in 2020-21, equivalent to 3.6 per cent. This is again consistent with the final referendum principles for the GLA's adjusted precept published by MHCLG on 6 February and is similarly subject to the approval of the excessiveness principles by the House of Commons. The additional income generated from this increase will provide additional resources to support policing and fire and rescue services. The £11.56 increase incorporates a £1.56 increase in the unadjusted basic amount and a £10.00 increase in the policing element of the Band D charge. The adjusted basic amount - payable by taxpayers in the 32 London Boroughs - will increase from £320.51 to £332.07. The unadjusted basic amount - the Band D charge payable by council tax payers in the City of London - will increase from £78.38 to £79.94.
- 1.14 These increases represent the maximum increases permitted by the council tax excessiveness principles, set by the Government for the GLA, without requiring a referendum to be held. As the Government is not expected to announce likely future levels for council tax referendum thresholds until the 2020 Spending Review, future years' thresholds are assumed at 2 per cent, for both unadjusted and adjusted amounts. The indicative Band D charges for these years are shown as the maximum increases permitted below the assumed referendum threshold.
- 1.15 Following returns from the 33 London billing authorities, the council taxbase for 2020-21 will increase by 1.56 per cent, compared to 2019-20, below the 2 per cent figure assumed in the Mayor's draft consolidated budget. For 2021-22 and beyond the council taxbase is assumed to increase by 1.5 per cent per year; previously the taxbase was assumed to increase by 2 per cent each year.
- 1.16 The LFC's share of the non-police council tax charge has been increased, to ensure overall council tax income for fire and rescue services is in line with the indicative figure set out in the Mayor's draft consolidated budget. As the taxbase growth was lower than forecast, the £1 million shortfall in council tax income for the GLA will be met from the council tax collection fund surplus. Similarly, the difference of £3.2 million between the initial estimate of council tax income for policing, once the £10 increase in the referendum threshold had been announced, and the final confirmation of the taxbase, will be met from the council tax collection fund surplus.

- 1.17 Taking into account the above assumptions, the forecast consolidated council tax requirement for 2020-21 is £1,010.9 million. Details of the component council tax requirements for each constituent body of the GLA Group for 2020-21, and indicative figures for the following three years, are set out in the table below.

Component council tax requirements	Approved	Proposed	Plan	Plan	Plan
	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
GLA (Mayor)	67.6	66.6	67.7	68.8	69.9
GLA (Assembly)	2.6	2.6	2.7	2.7	2.7
MOPAC	725.2	767.1	794.2	822.2	851.2
LFC	159.2	168.6	176.1	183.8	191.9
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
<b>Consolidated council tax requirement</b>	<b>960.6</b>	<b>1,010.9</b>	<b>1,046.6</b>	<b>1,083.5</b>	<b>1,121.7</b>
<i>Total Band D council tax charge payable in:</i>					
32 London Boroughs (adjusted amount)	£320.51	£332.07	£338.71	£345.48	£352.37
City of London (unadjusted amount)	£78.38	£79.94	£81.53	£83.16	£84.81

- 1.18 As a result of the £10 increase in the policing element of the Band D charge, an additional £41.9 million in council tax income will be available for policing in 2020-21, compared to 2019-20. Income from council tax, known as the council tax requirement, for the Assembly and TfL for 2020-21 will held at 2019-20 levels and income for the Mayor will decrease slightly, enabling all of the additional income generated from the non-police precept to be allocated to fire and rescue services. As a result, the council tax requirement for the London Fire Commissioner in 2020-21 will be £9.4 million higher than in 2019-20.
- 1.19 In future years of the budget period, it is assumed that all of the additional income from increases in the Band D charge will continue to be allocated to policing and fire and rescue services. The combined share of the Band D charge attributable to the Mayor, Assembly and TfL is planned to remain at the same level in future years, although growth in the taxbase will provide some additional funding to these bodies. More detailed information about the precept and its calculation is included in Appendix H.
- 1.20 Separately, the GLA's share of the estimated council tax collection fund surplus across London for 2019-20 is £17.4 million – a sum which is receivable in 2020-21. As outlined above, £4.2 million of this surplus has been allocated to MOPAC and the Mayor, following confirmation of the council taxbase, to compensate for the lower than expected level of council tax income; the shares of council tax income for the Assembly and TfL are not materially affected by the change in taxbase. The remaining £13.2 million of the surplus has been allocated to the GLA: Mayor budget for the Young Londoners Fund and to MOPAC for new violence reduction initiatives. Council tax collection fund surpluses of £12.2 million are assumed for the following three financial years.

**Business rates retention and London pooling arrangements**

- 1.21 Since 2013-14 retained business rates have replaced grants from central government to provide core general funding for the GLA, LFC and the residual former TfL general and investment grants, as well as an element of support for London policing in respect of historic council tax freeze grant. The combined retained business rates funding allocated in this budget for services is assumed to total around £2.47 billion in 2020-21. The actual sum estimated to be received in business rates income from the 33 billing authorities exceeds £3.37 billion taking into account the estimated tariff and levy on growth payable to MHCLG and expected compensatory section 31 grants receivable from MHCLG for Government funded relief schemes, such as small business and retail rate relief.
- 1.22 In September 2019, following the Spending Review, the Government confirmed the 75 per cent business rates retention pilots for 2019-20 would not continue in 2020-21, except for those areas such as the Greater Manchester, Liverpool and West Midlands combined authorities with specifically negotiated devolution deals which will retain their 100 per cent pilots. As a result, the arrangements in London for 2020-21 will return to those in operation for the 2017-18 financial year, when the GLA's partial 67 per cent pilot was in place, which included the rolling into retained business rates of the former TfL capital investment grant and the Mayor's allocation for revenue support grant.
- 1.23 The Mayor and the 33 borough leaders and elected Mayors have agreed, in principle, that the London business rates pool will remain in place for 2020-21, in order to maintain the success of the collaboration arrangements by London government over the last few years and to maximise the level of locally retained revenues. The continuation of the pool means London will make a single aggregate tariff and levy payment on growth to the Government through the lead authority (the Corporation of London). However, the change in the share of business rates retained by authorities in London as a result of the ending of the 75 per cent pilot will reduce the level of financial benefit from the pooling arrangements. The lower share of retained business rates will, as a consequence, lead to a lower share locally retained income. Alongside billing authorities and central government, the GLA will continue to retain its share of the growth above the business rates baseline, set by the Government, according to the proportions set out above, subject to paying a levy on a proportion of this growth through the pool.
- 1.24 This levy on business rates growth has been reinstated following the ending of the pilot and did not apply in either 2018-19 or 2019-20. A key benefit from continuing the pool is that the collective levy rate and, on current estimates, the aggregate levy payment for the pool will be lower than the total levy payments which would otherwise have been paid across London if all 34 authorities had operated independently.
- 1.25 It is estimated at this stage based on the forecast outturn for 2019-20, adjusted for inflation, and the expected allocations in the final local government finance settlement that the GLA will make a combined tariff and levy contribution to the Government from its share of business rates income through the London pool of £905.6 million in 2020-21. This sum will be used to support local services elsewhere in England.

- 1.26 In order to ensure pooling is maintained across London and to offer a meaningful incentive, the Mayor has agreed that the additional retained income arising specifically from pooling (i.e. the levy saving) should be shared amongst the 33 billing authorities only using a formula agreed by borough Leaders. The GLA secures an additional benefit separately through its higher 37 per cent retention share which is greater than its relative share of baseline funding in London.
- 1.27 Following the submission of the statutory estimates by the billing authorities in late January 2020, the level of business rates income available to the GLA in 2020-21 can be estimated with greater certainty. This final draft budget sets out allocations for the additional business rates growth.
- 1.28 It is important to note that there is considerable uncertainty on the level of business rates income the GLA will retain from 2021-22 onwards. The Government's multi-year spending review is now expected to take place in 2020, and the implementation of reforms to the business rates retention system – including the planned reset of business rates growth - and the local government and fire fair funding distribution reviews have been delayed until at least 2021-22. The incoming Government has also committed to undertake a fundamental review of business rates as a tax. More detailed information about future funding assumptions is available in Appendix I.

#### **Summary of revenue spending plans and council tax requirement calculation**

- 1.29 Forecast council tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2020-21, including government grants and fare revenues, are summarised in the table below. This table excludes retained business rates allocated to TfL in its capital spending plan.

<b>Spending plans and council tax requirements</b>	<b>2020-21</b>	<b>2020-21</b>
	<b>£m</b>	<b>%</b>
Spending plans	13,365.9	100%
Less:		
Fares income	-5,123.5	-38%
Home Office Police General and Formula Grant	-2,048.6	-15%
Other general income	-1,646.5	-12%
Retained business rates	-2,463.0	-18%
Home Office specific grants for policing	-619.1	-5%
Other specific Government grants	-355.9	-3%
Use of reserves	-89.9	-1%
Council tax surplus	-17.4	0%
<b>Consolidated council tax requirement for GLA Group</b>	<b>1,010.9</b>	<b>8%</b>

### Funding allocations from sources over which the Mayor has direct control

- 1.30 The tables overleaf summarise the proposed funding allocations from retained business rates and council tax to the GLA: Mayor and Assembly and the relevant functional bodies for 2020-21 compared to the revised 2019-20 budget. 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 council tax proposals. The year on year change in the allocation for MOPAC reflects the impact of the Mayor having advanced just under £120 million of resources from business rates to provide upfront funding for the cost of the additional 1,000 police officers for 2020-21 and 2021-22 in his 2019-20 budget. This approach was adopted due to methodology changes expected to be made by the Government to the business rates retention system from April 2020, which have subsequently been deferred until April 2021.
- 1.31 Appendix H sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations proposed by the Mayor.

### Allocation of funding sources over which the Mayor has direct control

	Mayor	Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Group items	Total
2020-21	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council tax	66.6	2.6	767.1	168.6	6.0	0.0	0.0	0.0	1,010.9
Collection fund surplus (Ctax)	7.4	0.0	10.0	0.0	0.0	0.0	0.0	0.0	17.4
Business rates	130.6	5.9	118.7	232.9	1,879.0	32.6	7.8	965.5	3,373.0
Group reserves	0.0	0.0	0.0	0.0	0.0	4.9	0.0	0.0	4.9
<b>Total Mayoral funding</b>	<b>204.6</b>	<b>8.5</b>	<b>895.7</b>	<b>401.5</b>	<b>1,885.0</b>	<b>37.5</b>	<b>7.8</b>	<b>965.5</b>	<b>4,406.2</b>

	Mayor	Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Group items	Total
2019-20	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council tax	67.6	2.6	725.2	159.2	6.0	0.0	0.0	0.0	960.6
Collection fund surplus (Ctax)	3.7	0.0	18.5	0.0	0.0	0.0	0.0	0.0	22.1
Business rates	63.3	5.2	220.0	233.2	1,907.3	16.8	9.5	3.5	2,458.7
Mayor's SIF	60.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	60.7
Group reserves	0.0	0.0	0.0	0.0	34.0	21.6	1.4	0.7	57.7
<b>Total Mayoral funding</b>	<b>195.2</b>	<b>7.8</b>	<b>963.7</b>	<b>392.3</b>	<b>1,947.3</b>	<b>38.4</b>	<b>10.9</b>	<b>4.2</b>	<b>3,559.8</b>
<b>Change</b>	<b>9.4</b>	<b>0.7</b>	<b>-67.9</b>	<b>9.2</b>	<b>-62.3</b>	<b>-0.9</b>	<b>-3.1</b>	<b>961.3</b>	<b>846.3</b>

## Equalities

- 1.32 Promoting equality, diversity, inclusion, social mobility and social integration are all high priorities for the Mayor. The Mayor published his social integration strategy, 'All of Us' and his equality, diversity and inclusion strategy, 'Inclusive London' in 2018; implementation of both strategies is now underway.
- 1.33 All seven constituent bodies (the Mayor and Assembly and the five functional bodies) must comply with section 149 of the Equality Act 2010, which sets out the public sector equality duty (PSED). Compliance with the duty is iterative and ongoing. For all the bodies concerned 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. A more detailed explanation of the PSED is set out in Section 2 of Part 3 of this report.
- 1.34 The constituent bodies will undertake this 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 of the process is set out in each of their sections.

## Environment

- 1.35 Addressing the environmental challenges that London faces is a key priority for the Mayor. His London Environment Strategy (LES) was published in May 2018 and outlines actions to achieve his vision for London in 2050 that will realise the potential of London's environment to support good health and quality of life and to make the city a better place to live, work and do business. Implementation of the strategy is now underway.
- 1.36 The GLA Group has a key role in delivering the actions in the LES and its implementation plan. Chapter 11 of the Strategy sets out the framework for GLA Group action, including using its procurement power to drive markets for green services and goods, trialling new technologies and approaches to bring confidence for wider market roll out, and acting as powerful demonstrators of best practice.
- 1.37 All seven constituent bodies (the Mayor and Assembly and the five functional bodies) have ensured their budget proposals include sufficient resourcing and budget necessary for the efficient and effective delivery of the LES. An interim assessment of the environment implications of each component body's budget at this stage of the process is set out in each of their sections.

## Priorities for Londoners Survey

- 1.38 From August to September 2019 the GLA conducted online interviews through the Talk London community, with 2,292 London residents aged 16 and over. The Priorities for Londoners survey was intended to highlight residents' priorities in order to ensure these are being addressed in this budget. The main themes for the questions in the survey were as follows:
- To what extent are Londoners satisfied with their lives in London, and what drives this level of satisfaction?;

- What do Londoners think are the most important elements of life in the city for creating a fulfilling place to live and work?;
  - What does the balance of satisfaction and relative importance of different aspects of London life mean for experience and enjoyment of the city?; and
  - What can be done to best improve the overall outlook on life in London, and where should efforts be focused?
- 1.39 Interviews were not randomly sampled; however, the responses were weighted by age, gender and ethnicity to reflect that of the London population. Additional interviews were carried out via an online YouGov panel from September to October 2019 in order to achieve a representative sample.
- 1.40 The survey found that residents' overall satisfaction levels were high for London (72 per cent) and residents' local areas (68 per cent). There were positive levels of satisfaction for culture and sport in the capital, as well as diversity, the transport system and London's economy. As in 2015, when the survey was last conducted, housing and the cost of living remain the two most important issues facing London today. Respondents ranked policing and safety as the third most important issue, very closely followed by the environment. Set out below are details of how this Budget proposes to address the key conclusions of the survey.
- 1.41 The Mayor is using all the resources and powers currently at his disposal to tackle the housing crisis, and in 2018-19 started a record 14,544 affordable homes, including nearly 4,000 at social rent levels – more than in any year since City Hall took control of housing investment in the capital, and exceeding the target of 14,000 agreed with Government ministers. However, the GLA's capacity to solve these issues is constrained by the Government. Although this Budget will fund the start of 116,000 new affordable homes by 2022, the Government requires that around half of these are for Londoners on middle incomes, despite there being far greater need for affordable homes for social rent. Therefore, the Government's restriction does not allow the Mayor to meet London's needs. Approximately £4.9 billion per annum in affordable housing grant is required – more than seven times the current average. Further, the Government has yet to accede to the Mayor's requests to enhance his land assembly powers and give him the ability to set controls on rent levels.
- 1.42 The cost of living in London is also a key priority for the Mayor but his powers to tackle this remain limited. The steps he is taking on housing are set out above. The Mayor has frozen TfL's fares for the full duration of his first administration. The Budget channels investment into key areas such as equipping Londoners with the skills, education and training needed to participate in the modern economy. As part of the Good Work Standard, the Mayor has called for more employers to pay the London Living Wage. The Mayor has pressed for greater worker protections to be introduced, including recommendations from the Taylor Review on improvements to the rights of agency workers, those on zero-hour contracts and those employed in the 'gig' economy.

- 1.43 The Mayor has consistently said that the safety of Londoners is his top priority. He has increased the annual resources of the police and fire services over his first administration by over £300 million. Police officer numbers were 31,321 by the end of January 2020 and are set to increase and be maintained over the next two financial years at least. The Mayor has established a Violence Reduction Unit and a series of programmes to combat crime and violence. The London Fire Brigade is funded at some £22.1 million above the level set out by the Government's funding settlement. The Mayor has provided additional funding for the Brigade's transformation programme, including to support implementation of the recommendations from the Grenfell Tower Inquiry.
- 1.44 The environment is a key priority for the Mayor, including addressing the huge challenges facing our city, such as cleaning up London's toxic air and tackling the climate and ecological emergency. Building on the achievements delivered this financial year, including launching the world's first Ultra Low Emission Zone, in 2020-21 the Mayor will continue to fund the range of immediate actions needed to improve the environment now and to achieve the long-term ambitious targets set out in his London Environment Strategy. These include making more than half of London green, achieving legal and World Health Organisation pollution limits and making London a zero carbon, zero waste city with zero-emission transport. The Mayor is also allocating £50 million towards his Green New Deal.

### **Structure of this Final Draft Budget Document**

- 1.45 Revenue budget proposals and funding for each constituent body within the GLA Group are presented 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 requirement. Section 9 sets out the proposed Capital Strategy for the GLA Group, including the statutory final draft capital spending plan. The individual capital spending plans, capital financing budgets and borrowing limits, as well as the revenue budgets at a subjective level, are set out in Appendices A to F. Appendix G provides a summary of the Group's savings and collaboration activities. Appendices H and I address the medium-term financial outlook for the GLA Group and funding assumptions underpinning the budget proposals.
- 1.46 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 GLA and functional bodies. These are available on the GLA's and functional bodies' websites. Please note that figures in the tables throughout this document may not sum exactly due to roundings.
- 1.47 For further information on these documents, or in respect of budget proposals, please contact:

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## 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.
- 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 budget will continue to support the Mayor's ambitions to:

- support starts on site for at least 57,300 genuinely affordable homes by 31 March 2022, contributing towards the Affordable Housing Programme lifetime target of 116,000 starts between 2016 and 2022;
- unlock and accelerate delivery of over 5,000 homes on GLA-owned land across development projects in the Royal Docks and Beam Park;
- continue to ensure 85 per cent of those supported by our homelessness services exit rough sleeping;
- extend the Ultra Low Emission Zone to cover a larger zone bounded by the North and South Circular Roads by autumn 2021;
- establish London Power as a respected and fair energy company, generating over time, surpluses to reinvest in community projects;
- deliver at least 100 new drinking fountains by March 2021;
- continue with the major tree planting programmes and improving green spaces, including planting thousands more new street trees by the end of 2020-21 and creating or improving up to 150 green space projects;
- fund 1,000 cultural and community events, creating or safeguarding 7,000 jobs and improve 120,000 square metres of public realm by March 2021 through the Good Growth Fund;
- support more than 7,100 individuals to sustain employment, education or training before the end of 2022-23 and over 6,400 small and medium-sizes enterprises (SMEs) to complete projects;
- minimise the impact of Brexit on London's vulnerable communities including EU Londoners and those with insecure immigration status, and low-income Londoners, through the GLA's online portals and partnerships with voluntary organisations;

- maximise Londoners' opportunities to access sport and physical activity and ensuring sport is a force for social integration, with over 18,000 Londoners participating in Sport Unites projects in 2020-21;
- honour London's EURO 2020 host city commitments; and
- deliver London Boroughs of Culture for 2020, 2021 and 2023 and nine Cultural Impact Awards, which will increase diverse participation in culture.

### **Gross revenue expenditure**

2.4 The Mayor is proposing an increase in gross revenue expenditure (excluding group items) of £110.4 million in 2020-21 compared to the revised budget for 2019-20 and £231.2 million compared to the forecast outturn for 2019-20. These variances reflect primarily the impact of incorporating a full year's worth of expenditure on the Adult Education Budget (AEB) which was devolved to the GLA from 1 August 2019 and the profiling of expenditure on the Strategic Investment Fund, as well as the additional sums allocated in this final draft budget for the Young Londoners Fund and the Green New Deal.

### **Net revenue expenditure and council tax requirement**

2.5 After deducting fees, charges, investment income, business rate supplement and Mayoral Community Infrastructure Levy (MCIL) revenues used to finance Crossrail, external contributions towards the financing of the Northern Line Extension and other borrowing, and the use of earmarked reserves, net expenditure for 2020-21 for GLA: Mayor services is proposed to be £522.2 million. This excludes funding for Group collaborative procurement projects and funding to London billing authorities to support business rates and council tax income maximisation projects, as well as tariff and levy payments to MHCLG. These are shown separately in the GLA Group items budget in Appendix A. After deducting income from retained business rates and council tax and business rates collection fund surpluses, the statutory council tax requirement for the Mayor is £67.6 million.

2.6 The GLA: Mayor's budget on a directorate (i.e. objective) basis is set out in the table overleaf. It is now based on the revised directorate restructure presented to the Oversight Committee in July 2019. The major changes are:

- the Development, Enterprise & Environment directorate has been renamed Good Growth. The Culture and Creative Industries teams have been moved to this directorate but Skills and Employment (including the AEB which exceeds £300 million) has been transferred to the new Communities and Skills directorate;
- the Communities and Intelligence Directorate has been replaced by the Communities and Skills Directorate. In addition to Skills and Employment, this Directorate also comprises the Health, Education & Youth, Communities & Social Policy, Team London, and Food teams;
- a new Strategy and Communications Directorate which comprises City Intelligence, External Affairs, Major Sports Events, the Mayor's Press Office, City Operations, Information Governance, Policy and Performance support, and Fire & Resilience; and
- the Resources directorate has been expanded to include the Technology Group and Facilities Management, in addition to Financial Services and Group Finance.

<b>Objective analysis</b> <b>GLA: Mayor services</b>	<b>Revised Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
	<b>2019-20</b> <b>£m</b>	<b>2019-20</b> <b>£m</b>	<b>2020-21</b> <b>£m</b>	<b>2021-22</b> <b>£m</b>	<b>2022-23</b> <b>£m</b>	<b>2023-24</b> <b>£m</b>
<i>Directorate Expenditure</i>						
Good Growth	55.0	45.6	57.7	75.9	53.6	44.7
Housing & Land	65.6	45.4	51.9	41.0	39.5	38.1
Communities & Skills	250.0	251.2	359.3	352.6	350.7	347.5
Strategy and Communications	20.4	12.3	27.5	18.7	20.7	20.9
Resources	29.1	33.8	32.4	32.4	32.7	32.8
Chief Officer	5.7	5.7	6.4	6.3	6.1	6.2
Mayor's Office	5.3	5.3	5.3	5.4	5.5	5.6
Elections	3.7	5.7	20.9	0.1	0.5	0.5
<b>Directorate expenditure</b>	<b>434.8</b>	<b>405.1</b>	<b>561.4</b>	<b>532.4</b>	<b>509.3</b>	<b>496.4</b>
Strategic investment fund (SIF)	108.8	17.3	51.3	103.3	0.0	0.0
Contingency	1.0	1.0	1.0	1.0	1.0	1.0
<b>Other service expenditure</b>	<b>109.8</b>	<b>18.2</b>	<b>52.3</b>	<b>104.3</b>	<b>1.0</b>	<b>1.0</b>
Financing costs – Crossrail	124.7	124.7	132.7	130.8	123.8	116.7
Financing costs – Northern Line Extension	19.6	19.6	20.5	20.5	20.5	20.5
Financing costs – other	6.1	6.4	6.3	5.7	5.7	5.7
Provision for repayment of debt/ other grant payments - LLDC	12.8	12.8	11.8	11.8	11.8	11.8
<b>Financing Costs</b>	<b>163.2</b>	<b>163.5</b>	<b>171.3</b>	<b>168.8</b>	<b>161.7</b>	<b>154.8</b>
Interest receipts	-13.7	-24.5	-17.4	-17.4	-17.4	-17.4
Crossrail BRS and MCIL	-124.7	-124.7	-132.7	-130.8	-123.8	-116.7
Northern Line Extension contributions	-19.6	-19.6	-20.5	-20.5	-20.5	-20.5
Interest receipts GLAP loan	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9
Adjustment for direct net GLAP expenditure	-19.6	-19.6	-18.4	-18.4	-18.4	-18.4
GLAP recharge	-5.3	-5.3	-6.4	-6.4	-6.4	-6.4
<b>Income</b>	<b>-192.8</b>	<b>-203.6</b>	<b>-205.3</b>	<b>-203.4</b>	<b>-196.4</b>	<b>-189.1</b>
Transfer to/from (-) reserves held for GLA services	-61.9	-21.8	-6.3	-50.6	-27.7	-14.0
Transfer to/from (-) reserves for GLA Group	-65.9	25.7	-51.3	-103.3	0.0	0.0
<b>Net service expenditure after use of reserves</b>	<b>387.2</b>	<b>387.2</b>	<b>522.2</b>	<b>448.3</b>	<b>448.0</b>	<b>449.1</b>
Specific grants	192.0	192.0	317.6	311.0	311.0	311.0
Retained business rates	124.0	124.0	130.6	69.6	68.2	68.2
Council tax collection fund surplus	3.7	3.7	7.4	0.0	0.0	0.0
<b>Council tax requirement</b>	<b>67.6</b>	<b>67.6</b>	<b>66.6</b>	<b>67.7</b>	<b>68.8</b>	<b>69.9</b>

### **Explanation of budget changes**

- 2.7 An analysis of the year on year movement in the proposed council tax requirement for the GLA: Mayor compared to the revised budget for 2019-20 is set out below. An explanation of each change is provided in the paragraphs that follow.

<b>Changes in the council tax requirement</b>	<b>£m</b>
2019-20 council tax requirement	67.6
<i>Changes due to:</i>	
Inflation	1.4
Savings and efficiencies	-7.3
Net change in service expenditure and income	70.6
Change in use of reserves	70.2
Net change in retained business rates and specific grants	-132.3
Change in council tax collection fund surplus	-3.7
<b>2020-21 council tax requirement</b>	<b>66.6</b>

#### **Inflation**

- 2.8 The budget includes a provision for inflation of £1.4 million. This includes inflation relating to pay and contractual increases relating to utilities and other related services.

#### **Savings and efficiencies**

- 2.9 The budget incorporates planned savings and efficiencies of £7.3 million, reflecting savings from Directorate programme budgets and the generation of additional income, including increased interest receipts.

#### **Net change in service expenditure and income**

- 2.10 There is a net change in service expenditure and income of £70.6 million due to new or extended programmes such as the Green New Deal and Young Londoners fund, expenditure on the 2020 Mayoral and Assembly elections, events for the UEFA EURO 2020 football championship and incorporating the full-year effect of the adult education budget.

#### **Change in use of reserves**

- 2.11 The budget proposes a net decrease in the budgeted use of reserves of £70.2 million, reflecting the planned use of reserves held to fund mayoral projects and initiatives. This includes the additional funding for the Mayor's Young Londoners Fund and Green New Deal fund allocated in this final draft budget.

#### **Net change in retained business rates and specific grants**

- 2.12 There is a £132.3 million net increase in income from retained business rates and specific grants in 2020-21, compared to the revised 2019-20 budget. This primarily reflects the increase in the specific grant for the full-year effect of adult education in the budget, partly offset by a lower level of business rates income, following the ending of the London business rates pilot.

### Crossrail

2.13 In light of the GLA's additional £1.4 billion contribution to Crossrail, agreed in December 2018, of which £1.3 billion is funded from borrowing, its capital financing costs relating to this project have increased. This expenditure will be funded using a mixture of Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL) revenues. This will not affect the tax policies for the BRS in 2020-21 (i.e. the sums ratepayers pay), which were approved in Mayoral Decision 2579 on 29 January 2020 and are unchanged from 2019-20.

### Equalities

2.14 In line with the Mayor's equality, diversity and inclusion strategy, the budget proposals include a wide range of measures which will have positive equalities outcomes, particularly for Londoners who face disadvantage, unfairness or discrimination. Budget measures which are expected to have positive impacts on equalities include:

- significant commitments on affordable housing;
- working with employers and others to ensure that London's economy is fair and inclusive, including through the Good Work Standard and promotion of the London Living Wage, as outlined in the Mayor's Economic Development Strategy;
- supporting skills development, including through the devolved Adult Education Budget (AEB) and apprenticeships;
- giving young people the best chances by investing in London's further education sector and supporting a wide range of programmes across London through the Young Londoners Fund;
- the promotion of volunteering as a path to acquiring skills and accessing new employment opportunities;
- an expanded social integration programme that includes reducing inequality and tackling the specific barriers faced by some groups of Londoners as a key component;
- working to reduce health inequalities, in line with the Mayor's Health Inequalities Strategy, including new partnerships and support for action across the full range of the GLA's work; and
- identifying and implementing actions to make further progress in reducing gender and ethnicity pay gaps within the GLA, including by further improving our recruitment and talent management practices.

2.15 Equalities impacts will continue to be considered in line with the PSED as individual programmes are developed and approved through the Authority's decision-making processes. The ongoing process of implementation and reporting on the Mayor's equality, diversity and inclusion strategy will also ensure that the impacts of the allocations made in this budget are maximised and assessed against the Mayor's strategic equality objectives.

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### **Environmental impact**

- 2.16 Both the revenue budget proposals and the final draft capital strategy and capital spending plan prioritise environmental matters to improve the built and wider environment. They include, amongst others, the following projects and initiatives, to:
- tackle London's dangerously polluted air by leading on the delivery of the Mayor's statutory air quality duties – working towards London having the best air quality of any major world city by 2050;
  - establish London Power as a respected and fair energy company, and deliver energy projects to decarbonise London's homes and workplaces, while protecting the most vulnerable by tackling fuel poverty;
  - support campaigns and initiatives to cut the use of single-use packaging including the provision of funding for the installation of more drinking water fountains and behaviour change campaigns to drive a water refill culture;
  - ensure London, as the world's first National Park City, is greener in 2050 than it is today, including investing in improving green space, greening the built environment and planting trees to increase tree cover;
  - deliver green infrastructure including sustainable drainage that manages flood risk and reduces urban heat;
  - increase the resilience of new and existing buildings through strong planning policy and deliver water efficiency and ventilation measures through the Mayor's Energy for Londoners programme; and
  - ensure City Hall and all other GLA buildings maintain the highest environmental standards on heating, lighting and waste, and cutting unnecessary use of plastic and disposables across our estate.

### **Reserves**

- 2.17 The Business Rates Reserve is used to manage business rates income risk. Temporary use of the Business Rates Reserve in 2019-20, primarily to provide upfront funding for TfL's bus driver retention scheme, results in the balance reducing to an estimated £135.2 million at the end of March 2020. The level of the reserve will return to its historic level of £188.2 million in 2020-21 and is forecast to remain at the level throughout the planning period.
- 2.18 There is great uncertainty over the level of retained business rates income the GLA will receive in future years. This arises from the multi-year Government Spending Review, expected in 2020; the anticipated completion of the fair funding review for local government and fire services; an expected fundamental review of business rates as a tax, and reforms to the business rates retention system, including a reset of business rates growth achieved since 2013-14, which are likely to be implemented over the planning period. Small changes relating to any of the above factors could have a material impact on the level of retained business rates income received by the GLA. The Executive Director of Resources advises that this level of uncertainty requires the level of the Business Rates Reserve to be maintained at £188.2 million in future years.

- 2.19 The Strategic Investment Fund (SIF) reserve was created to manage the timing of the draw down of the additional business rates growth generated for the GLA under the 2018-19 and 2019-20 business rates pilots. The balance held on this reserve is forecast to be £154.6 million at the end of 2019-20, with expenditure on committed projects taking place in the years ahead.
- 2.20 The balance on the Mayoral Development Corporation Reserve (MDC) will be reduced from £9.5 million at the end of 2019-20 to £3.6 million by 2021-22. This reserve is ringfenced to support LLDC and OPDC, as a contingency held for any unexpected costs.
- 2.21 The GLA's general reserve will be maintained at £10 million until the end of the planning period.
- 2.22 Reserves earmarked for GLA: Mayor services are forecast to be £172.9 million at the close of 2019-20 and reduce to £80.6 million by the close of 2023-24 reflecting the planned use of the reserves to support Mayoral priorities.
- 2.23 The unused earmarked reserves for GLA services at the end of 2023-24 include revenue grants unapplied of £30.6 million, £13.4 million for the Mayor and Assembly elections in 2024 and £8 million for the Museum of London.
- 2.24 The capital programme reserve is forecast to reduce from £38.1 million at the end of 2019-20 to £23.4 million by the close of 2023-24.
- 2.25 The LLDC Capital Funding reserve, estimated to be £145.2 million at the end of 2019-20, will be applied to provide funding for the development of East Bank in 2020-21 and 2021-22.

Movement in reserves during financial year	Outturn	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Opening balances	504.9	721.2	672.6	591.0	353.0	323.3
<i>Transfers to/from (-):</i>						
Business Rates Reserve	-11.2	-53.0	53.0	0.0	0.0	0.0
Mayoral Development Corporation Reserve	-23.0	6.3	-4.9	-1.0	0.0	0.0
Reserves earmarked for GLA services	115.2	-51.6	-6.3	-50.6	-27.7	-14.0
Capital Programme Reserve	-12.6	-12.2	-8.4	-2.0	-2.2	-2.2
LLDC Capital Funding Reserve	61.9	19.2	-64.0	-81.2	0.0	0.0
Strategic Investment Fund	111.2	43.4	-51.3	-103.3	0.0	0.0
Assembly Reserve	0.0	-0.7	0.2	0.2	0.2	0.2
General Reserve	-25.1	0.0	0.0	0.0	0.0	0.0
<b>Closing balances</b>	<b>721.2</b>	<b>672.6</b>	<b>591.0</b>	<b>353.0</b>	<b>323.3</b>	<b>307.3</b>

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

Total reserves at end of financial year	Outturn	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Business Rates Reserve	188.2	135.2	188.2	188.2	188.2	188.2
Mayoral Development Corporation Reserve	3.1	9.5	4.6	3.6	3.6	3.6
Reserves earmarked for GLA services	230.8	179.1	172.9	122.3	94.6	80.6
Capital Programme Reserve	50.3	38.1	29.7	27.7	25.5	23.4
LLDC Capital Funding Reserve	126.0	145.2	81.2	0.0	0.0	0.0
Strategic Investment Fund	111.2	154.6	103.3	0.0	0.0	0.0
Assembly Reserve	1.6	0.9	1.1	1.2	1.4	1.5
General Reserve	10.0	10.0	10.0	10.0	10.0	10.0
<b>Closing balances</b>	<b>721.2</b>	<b>672.6</b>	<b>591.0</b>	<b>353.0</b>	<b>323.3</b>	<b>307.3</b>

## Greater London Authority: London Assembly

- 3.1 The London Assembly holds the Mayor to account by examining his decisions and actions to ensure he delivers on his promises to Londoners. The Assembly also has the power to amend the Mayor's proposed council tax requirements.
- 3.2 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

- 3.3 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

- 3.4 The Mayor is proposing that the Assembly's gross expenditure for 2020-21 is £8.4 million and after adjusting for planned transfers to reserves its financing requirement is £8.6 million.
- 3.5 Deducting the retained business rates income results in the Mayor proposing a council tax requirement for the Assembly of £2.6 million in 2020-21. The revenue budget for the Assembly is set out in the table below on an objective basis.

<b>Objective analysis</b>	<b>Revised Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
	<b>Assembly</b>	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Assembly Members	1.9	1.8	1.9	1.9	2.0	2.0
Committee & Member Services	3.0	3.0	3.1	3.2	3.3	3.4
Scrutiny & External Relations	1.8	1.8	1.9	1.9	2.0	2.1
Director/Business Support	0.2	0.6	0.3	0.3	0.4	0.4
London TravelWatch	1.0	1.2	1.1	1.1	1.1	1.1
<b>Net revenue expenditure</b>	<b>8.0</b>	<b>8.5</b>	<b>8.4</b>	<b>8.6</b>	<b>8.8</b>	<b>9.0</b>
Transfer to/from (-) reserves	-0.2	-0.7	0.2	0.2	0.2	0.2
Savings to be identified	0.0	0.0	0.0	-0.5	-0.5	-0.8
<b>Financing requirement</b>	<b>7.8</b>	<b>7.8</b>	<b>8.6</b>	<b>8.2</b>	<b>8.4</b>	<b>8.4</b>
Retained business rates	5.2	5.2	5.9	5.5	5.6	5.6
<b>Council tax requirement</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>

### Explanation of budget changes

- 3.6 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 2019-20 is set out below. An explanation of each change is provided in the paragraphs that follow.

<b>Changes in the council tax requirement</b>	<b>£m</b>
2019-20 council tax requirement	2.6
<i>Changes due to:</i>	
Change in net revenue expenditure	0.4
Change in use of reserves	0.4
Change in retained business rates	-0.7
<b>2020-21 council tax requirement</b>	<b>2.6</b>

### Change in net revenue expenditure

- 3.7 The proposed Assembly budget includes a net increase of £0.4 million compared to the 2019-20 revised budget, reflecting increased committee and member service staff pay costs, as well as pressures including London TravelWatch and increased expenditure on Assembly communications.

### Change in use of reserves

- 3.8 It is proposed to add to the Assembly Development and Resettlement Reserve in 2020-21 and future years, following the forecast draw-down of £0.7 million in 2019-20. These transfers are to ensure that the overall level of reserves continue to be sufficient to meet the total potential liability arising for the Authority from future changes in Assembly membership and one-off costs, such as those arising from staffing changes.

**Change in retained business rates**

- 3.9 The Mayor is planning to increase the business rates allocation to the Assembly by £0.7 million in order to fund the increase in expenditure and the net change in the use of reserves planned in 2020-21.

**Future years**

- 3.10 Although the Mayor is proposing an increase in the Assembly's financing requirement in 2020-21 of £0.8 million, he is proposing that the Assembly identifies savings in later years to meet the Mayor's cash limits set for the Assembly in future years. Leading members of the Assembly have proposed the option of a fundamental review by Members, supported by officers, of the Assembly's future budget position. For example, this might take account of matters such as any changes to the Authority's pay and grading structure and accommodation and could be carried out ahead of next year's budget process.

**Equalities and environmental impact**

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

## Mayor's Office for Policing and Crime

- 4.1 The Mayor's Office for Policing and Crime (MOPAC) works on behalf of Londoners to fund and hold the Metropolitan Police Service (MPS) to account, reduce crime 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 2020-21 to 2023-24.

### Key deliverables

- 4.2 The Mayor's Police and Crime Plan - A Safer City for all Londoners 2017-21, sets out 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. The programme, '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.

- 4.4 The Mayor's Violence Reduction Unit (VRU) received £6.8 million of funding in 2019-20, provided by the Mayor, to support the Unit's work, of which £1.8 million was provided for core funding and £5 million to support specific initial projects. Additionally, the VRU was also successful in acquiring £7 million of funding from the Home Office Violent Crime Surge Fund. This investment will build on the initial work of the unit and focus on funding local services and programmes which deliver early interventions to prevent the spread of violence, as well as supporting projects that will help tackle the complex root causes of violence. The Home Office has confirmed funding of £7 million for the Mayor's VRU will continue in 2020-21, although, at this stage, funding beyond 2020-21 has not been confirmed. Furthermore, the Mayor is proposing to provide additional funding of £3.2 million in 2020-21 and in future years to the VRU to further develop its programme. No assumptions on Home Office funding for the VRU from 2021-22 onwards are included within this budget.
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### Gross revenue expenditure

- 4.5 The Mayor is proposing an increase in MOPAC's gross budgeted revenue expenditure of £299.7 million, from £3,585.6 million in the revised budget for 2019-20 to £3,885.3 million in 2020-21. The change compared to the forecast outturn for 2019-20 is £227.6 million. This is principally due to the planned increase in officer numbers.

### Net revenue expenditure and council tax requirement

- 4.6 After deducting fees, charges, and other income, the use of reserves from MOPAC's gross revenue expenditure the Mayor proposes that MOPAC's financing requirement for 2020-21 will be £3,563.3 million. The Mayor's proposed revenue budget for MOPAC is set out in the table below on an objective basis.

Objective analysis	Revised Budget	Forecast	Budget	Plan	Plan	Plan
	MOPAC		2020-21	2021-22	2022-23	2023-24
	2019-20	£m	£m	£m	£m	£m
<b>Metropolitan Police Service</b>						
Frontline Policing	1,240.1	1,281.0	1,303.0	1,403.6	1,504.7	1,543.4
Met Operations	766.6	800.7	783.8	779.9	775.9	775.9
Specialist operations	430.9	431.8	414.9	410.9	412.9	413.1
Corporate services	526.9	567.9	540.7	509.6	477.2	466.7
Professionalism	103.5	104.2	103.7	97.8	95.2	95.2
<b>Total business groups</b>	<b>3,068.0</b>	<b>3,185.6</b>	<b>3,146.1</b>	<b>3,201.7</b>	<b>3,265.8</b>	<b>3,294.2</b>
Discretionary pension costs	34.4	34.4	34.4	34.4	34.4	34.4
Centrally held	54.1	15.6	236.8	340.8	491.2	560.3
Capital financing costs	77.0	69.5	92.5	254.0	171.0	123.7
<b>Total corporate budgets</b>	<b>165.5</b>	<b>119.5</b>	<b>363.7</b>	<b>629.3</b>	<b>696.6</b>	<b>718.4</b>
<b>Mayor's Office for Policing and Crime</b>						
Victims Services and Crime Prevention	57.9	55.7	51.2	47.7	42.9	42.9
Oversight and Accountability	6.8	6.8	7.6	7.8	7.9	7.9
Shared audit function	1.5	1.5	1.6	1.7	1.7	1.7
<b>Total MOPAC</b>	<b>66.2</b>	<b>64.0</b>	<b>60.4</b>	<b>57.2</b>	<b>52.5</b>	<b>52.5</b>
Violence Reduction Unit	14.8	14.8	14.7	5.0	5.0	5.0
New violence reduction initiatives	0.0	0.0	30.5	0.0	0.0	0.0
Additional funding required	0.0	0.0	0.0	-293.0	-424.5	-455.3
<b>Net revenue expenditure</b>	<b>3,314.5</b>	<b>3,383.9</b>	<b>3,615.3</b>	<b>3,600.1</b>	<b>3,595.5</b>	<b>3,614.7</b>
Transfer to/from (-) reserves	166.5	145.1	-51.9	-109.4	-76.5	-7.4
<b>Financing requirement</b>	<b>3,481.0</b>	<b>3,529.0</b>	<b>3,563.3</b>	<b>3,490.7</b>	<b>3,519.0</b>	<b>3,607.3</b>
Specific grants	590.2	638.1	619.1	573.8	573.8	573.8
Retained business rates	220.0	220.0	118.7	35.9	36.1	95.4
CTax collection fund surplus	18.5	18.5	10.0	0.0	0.0	0.0
Home Office Police Grant	1,927.1	1,927.1	2,048.6	2,086.9	2,086.9	2,086.9
<b>Council tax requirement</b>	<b>725.2</b>	<b>725.2</b>	<b>767.1</b>	<b>794.2</b>	<b>822.2</b>	<b>851.2</b>

- 4.7 The Mayor currently proposes an increase in the policing element of the GLA's Band D council tax of £10.00 in 2020-21. Including the impact of forecast council taxbase growth, the council tax requirement for MOPAC will increase by £41.9 million to £767.1 million.

### **Explanation of budget changes**

- 4.8 An analysis of the year on year movement in the Mayor's proposed council tax requirement for MOPAC compared to the revised budget for 2019-20 is set out below. An explanation of each change is provided in the paragraphs that follow.

<b>Changes in the council tax requirement</b>	<b>£m</b>
2019-20 council tax requirement	<b>725.2</b>
<i>Changes due to:</i>	
Inflation	74.5
Savings and efficiencies	-2.9
Net change in existing service expenditure	229.2
Change in use of reserves	-218.4
Net change in Government grants and retained business rates funding	-49.1
Change in council tax collection fund surplus	8.5
<b>2020-21 council tax requirement</b>	<b>767.1</b>

### **Inflation**

- 4.9 The budget includes a provision for inflation of £74.5 million. This includes an assumed 2 per cent pay increase for officers, staff and PCSOs, although the cost envelope for the 2019-20 pay proposal is 2.5 per cent for police officers only. The full year effect of this in 2020-21 and beyond is factored in.

### **Savings and efficiencies**

- 4.10 The budget incorporates planned savings and efficiencies of £2.9 million in 2020-21, rising cumulatively to £53.1 million in 2021-22 and £81.1 million in 2022-23. This reflects the fact that significant savings of £877 million have already been made between 2013-14 and 2019-20. The Mayor and the MPS will continue to seek efficiency improvements and savings but given the scale of efficiencies already made, there are fewer easy savings to deliver in the future without impacting on the service provided.

### **Net change in service expenditure and income**

- 4.11 The budget proposes a £229.2 million net increase in service expenditure and income. This includes a number of drivers, but principally reflects the increase in police officers for the MPS, funded partly by the additional funding made available by the Mayor through retained business rates and partly by the additional funding assumed to be forthcoming from the Government for an uplift in officer numbers.

- 4.12 The final draft budget proposes an additional £30.5 million of funding for new violence reduction initiatives. This funding will support an increase in Violence Reduction Unit initiatives, including peer-mentoring programmes for young people in Pupil Referral Units, to help tackle the consequences of school exclusions, and funding for community groups as part of a hyper-localised approach to violence reduction. It will also fund increased investment in programmes to tackle 'county lines' and to disrupt the drugs market in the capital, as well as funding to target persistent offenders and domestic abuse perpetrators as part of a joined-up approach to reduce offending.

#### **Change in use of reserves**

- 4.13 The net change in use of reserves of £218.4 million compared to the revised 2019-20 budget reflects a planned transfer from reserves in 2020-21 of £51.9 million, compared to a forecast transfer to reserves of £145.1 million in 2019-20. The 2019-20 figure includes the Mayor's additional allocation of £118.6 million in business rates in 2019-20, which will be held in an earmarked reserve and £59.3 million drawn down annually in 2021-22 and 2022-23, to provide funding for an additional 1,000 officers than would otherwise be affordable.

#### **Net change in Government grants and retained business rates**

- 4.14 The Mayor is proposing that MOPAC will receive £118.7 million in funding via retained business rates. This is a decrease from 2019-20, when a one-off allocation of £118.6 million in business rates was allocated to MOPAC through an uplift to its reserves to provide up front funding for 1,000 additional police officers for both the 2020-21 and 2021-22 financial years. This reflected the then expectation that from April 2020 business rates growth would be awarded to local authorities by the Government on a two-year time lag. As the Government's planned reforms to the business rates retention system have been delayed until at least 2021-22, MOPAC will not be required to use this additional funding in 2020-21 and instead has been provided with the funding for the 1,000 additional officers through retained business rates income in 2020-21. Funding for MOPAC and VRU programmes is also provided through retained business rates.
- 4.15 In addition, MOPAC is forecast to receive £2,048.6 million of core police grant and £619.1 million specific Government grants, an overall combined increase of £150.4 million compared to the 2019-20 revised budget. This includes an £159.7 million funding increase from the Government to fund the cost of recruiting 1,369 additional officers by September 2020. The budget also assumes MOPAC will receive £7.0 million in funding from the Home Office for the Violence Reduction Unit in 2020-21. Overall, the total for retained business rates and Government grants is expected to increase by £49.1 million, comparing the revised budget for 2019-20 to the budget for 2020-21.
- 4.16 For the years beyond 2020-21, detailed officer and funding allocations have not yet been made available to police forces by the Government. Therefore, this Budget is based on a net recruitment target of 6,000 officers for London over 3 years, set out by the Commissioner and supported by the Mayor. Whilst sufficient funding is assumed to enable a balanced budget in 2020-21, the costs of the additional officers are shown in later years without any offsetting funding, leading to a significant budget gap in those years.

## Equalities

- 4.17 Inclusive London, the Mayor's equality, diversity and inclusion strategy, includes a chapter on how the Mayor is helping to make London a safe, healthy and enjoyable city. This chapter includes the Mayor's objectives to reduce the disproportionate impact of crime on children and young people and other groups disproportionately likely to be victims of crime; to reduce differences in groups' perceptions of, and confidence in, policing and the criminal justice system (CJS); and to reduce inequality and disproportionate representation in the CJS.
- 4.18 Equality Impact Assessments (EIAs) have not yet been undertaken for each of the change proposals that are contained within this budget, but such assessments will be provided within each discrete decision. MOPAC will 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. Those assessments will then be taken into account in its project development process and published as part of the decision-making process.

## Environmental impact

- 4.19 The MPS Environment and Sustainability Strategy 2019-2021 has a series of objectives. These include ensuring compliance with legislation and managing emissions as well as supporting commitments under the London Environment Strategy. Many MOPAC activities contribute to achieving these objectives. Transforming the estate will lead to fewer buildings and greater energy efficiency. The Digital Policing Strategy will reduce the size of data centres and rationalise IT equipment, reducing energy usage. MOPAC will explore options for green energy providers; and is already diverting over 95 per cent of office waste from landfill and aims to increase office waste recycling to the GLA target of a minimum of 65 per cent by 2030. MOPAC's commitment to the air quality policies in the London Environment Strategy has ensured that the MPS's fleet based within the Ultra Low Emission Zone (ULEZ) is fully compliant, except for 40 protection vehicles, and will ensure the entire fleet is ULEZ compliant by 2023. These exceptions are agreed between the MPS and the Mayor through a Memorandum of Understanding. The fleet currently includes over 500 ultra-low emission vehicles, by 2025, 800 will be zero-emission and from 2025 the MPS will seek to ensure that all new vehicles purchases are hybrid or electric.

## Reserves

- 4.20 At 31 March 2020, MOPAC's general reserves are expected to total £46.6 million, approximately 1.3 per cent of net revenue expenditure and are forecast to remain at the same level in each of the following financial years.
- 4.21 It is forecast that MOPAC will hold £277.2 million of earmarked reserves at the close of 2020-21; these reserves will be used for a number of specific purposes. In addition to the £118.6 million earmarked reserve to provide funding for an additional 1,000 officers, other earmarked reserves to be drawn down include those used to smooth police officer numbers in the medium-term and to facilitate the MPS transformation programme to replace outdated technology. These drawdowns will bring earmarked reserves down to £83.9 million by the end of 2023-24. The expected movements in reserves over the planning period are set out in the following table.

Movement in reserves during financial year	Outturn	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Opening balances	201.7	230.6	375.7	323.8	214.4	137.9
<i>Transfers to/from (-):</i>						
Earmarked reserves	28.9	145.1	-51.9	-109.4	-76.5	-7.4
General reserves	0.0	0.0	0.0	0.0	0.0	0.0
<b>Closing balances</b>	<b>230.6</b>	<b>375.7</b>	<b>323.8</b>	<b>214.4</b>	<b>137.9</b>	<b>130.5</b>

4.22 The expected total reserves at the end of each financial year are summarised in the following table. The unused earmarked reserves as at the end of 2023-24 include funds relating to the Proceeds of Crime Act (POCA), where the usage is subject to a process approved by Government to incentivise further POCA activity. Earmarked reserves include insurance reserves, and where funding has been received from third parties (e.g. airports) where the usage depends on decisions that need to be reached with these parties. These amounts are expected to be 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	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Earmarked reserves	184.0	329.2	277.2	167.8	91.4	83.9
General reserves	46.6	46.6	46.6	46.6	46.6	46.6
<b>Total</b>	<b>230.6</b>	<b>375.7</b>	<b>323.8</b>	<b>214.4</b>	<b>137.9</b>	<b>130.5</b>

# London Fire Commissioner

- 5.1 The London Fire Commissioner (LFC) is responsible for fire and rescue services in London and supporting the London boroughs in their emergency planning role.
- 5.2 The London Safety Plan sets out how LFC will contribute to making London the safest global city. In summary, the Plan's 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 London Fire Brigade to ensure it is an employer of choice and that staff have the opportunity to influence how the Brigade 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 £17.5 million, from £472.0 million in the revised LFC budget for 2019-20 to £489.5 million in 2020-21, an increase of 3.7 per cent. The change compared to the forecast outturn for 2019-20 is £16.4 million.

## Net revenue expenditure and council tax requirement

- 5.5 After deducting fees, charges, and other income from LFC's gross revenue expenditure of £489.5 million, the Mayor proposes that its net expenditure for 2020-21 before the use of reserves will be £449.7 million. Its financing requirement will be £434.7 million.
- 5.6 The Mayor is proposing a 1.99 per cent increase in the non-policing element of the Band D GLA council tax charge in 2020-21. All of the additional income raised from this increase will be allocated to fire and rescue services. This reflects the need to address the additional funding pressures faced by the Brigade in future years. As a result, the council tax requirement for the LFC increases from £159.2 million in 2019-20 to £168.6 million in 2020-21.

- 5.7 The Mayor's proposed revenue budget for LFC is set out in the following table on an objective basis.

<b>Objective analysis</b>	<b>Revised</b>	<b>Forecast</b>	<b>Budget</b>	<b>Plan</b>	<b>Plan</b>	<b>Plan</b>
	<b>Budget</b>			<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
<b>London Fire Commissioner</b>	<b>2019-20</b>	<b>2019-20</b>	<b>2020-21</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Community safety	38.4	38.4	40.5	40.5	40.6	41.3
Firefighting and rescue	361.3	361.1	376.2	381.4	387.4	392.8
Firefighters' pensions	21.1	21.3	21.6	22.0	22.1	22.3
Emergency planning and London Resilience Team	1.3	1.3	1.1	1.1	1.1	1.1
Central services	0.1	0.1	0.1	0.1	0.1	0.1
Savings to be identified	0.0	0.0	0.0	-7.7	-34.8	-34.0
<b>Net service expenditure</b>	<b>422.1</b>	<b>422.1</b>	<b>439.5</b>	<b>437.4</b>	<b>416.6</b>	<b>423.7</b>
Capital financing costs	9.8	9.4	10.7	11.8	11.8	11.8
External interest receipts	-0.3	-0.8	-0.5	-0.5	-0.5	-0.5
<b>Net revenue expenditure</b>	<b>431.6</b>	<b>430.6</b>	<b>449.7</b>	<b>448.6</b>	<b>427.8</b>	<b>434.9</b>
Transfer to/from (-) reserves	-3.9	-2.9	-15.0	-30.3	-1.8	-0.8
<b>Financing requirement</b>	<b>427.7</b>	<b>427.7</b>	<b>434.7</b>	<b>418.3</b>	<b>426.1</b>	<b>434.1</b>
Specific grants	35.4	35.4	33.2	11.5	11.5	11.5
Retained business rates	233.2	233.2	232.9	230.7	230.7	230.7
<b>Council tax requirement</b>	<b>159.2</b>	<b>159.2</b>	<b>168.6</b>	<b>176.1</b>	<b>183.8</b>	<b>191.9</b>

### Explanation of budget changes

- 5.8 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 LFC in 2019-20 is set out below. An explanation of the year on year changes is provided in the paragraphs that follow.

<b>Changes in the council tax requirement</b>	<b>£m</b>
2019-20 council tax requirement	159.2
<i>Changes due to:</i>	
Inflation	10.3
Savings and efficiencies	-3.4
Net change in service expenditure and income	11.1
Change in use of reserves	-11.1
Net Change in Government grants and retained rates	2.4
<b>2020-21 council tax requirement</b>	<b>168.6</b>

**Inflation**

- 5.9 The budget includes a provision for inflation of £10.3 million. This includes £8.9 million of inflation relating to staff pay awards and £1.4 million of contractual inflation.

**Savings and efficiencies**

- 5.10 The budget incorporates planned savings and efficiencies of £3.4 million.

**Net change in service expenditure and income**

- 5.11 The budget proposes an £11.1 million net increase in service expenditure and income. This includes an additional £6.0 million on new initiatives and service improvements, including £3.0 million for new staff and £2.2 million following the independent review of training. In addition, £3.5 million will be spent on the LFC's transformation programme. The cost of this in 2020-21 and 2021-22 will be met from LFC reserves and with an additional £2.2 million in retained business rates funding from the Mayor, with the intention that the ongoing cost is to be met by efficiencies delivered through the transformation programme.

**Change in use of reserves**

- 5.12 The budget proposes a net increase in the transfer from reserves of £11.1 million, reflecting the additional use of the budget flexibility reserve.

**Net change in Government grants and retained rates**

- 5.13 The Mayor is proposing a net change in specific grants and retained rates of £2.4 million. This includes the impact of a forecast reduction of £2.2 million in specific government grants compared to 2019-20. Its specific grants include one-off funding from the Home Office to cover additional pension contributions following the 2015 scheme revaluation which is assumed to continue into 2020-21. Specific grant funding is then assumed to reduce to £11.5 million in 2021-22 and remain at this level in future years.

**Equalities**

- 5.14 The new London Fire Brigade (LFB) strategy is underpinned by equality, diversity and inclusion which will be integral in engaging local communities to protect and serve their needs, and to recognise, celebrate and promote the diversity of the workforce. LFB is in Year 4 of its 10-year Inclusion Strategy which is being redrafted to reflect the current landscape of legislation, best practice and align with the Mayor's equality, diversity and inclusion strategy. LFB continues to work closely with the GLA Group on the implementation of the Mayor's equality, diversity and inclusion strategy and commitment to economic fairness. The equality impact of the budget submission is being considered at a departmental level as well as corporately in relation to the service LFB provides to Londoners and to the staff it employs. The LFB will 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. There are a number of independent EIAs that will be completed where proposals may impact on groups with protected characteristics.

### **Environmental impact**

- 5.15 The budget submission has been reviewed for sustainability and environmental implications. The LFC will continue to monitor performance through the ISO 14001-certified Environmental Management System that covers the functions of the LFB and published Sustainable Development Annual Reports. The LFC's budget proposals include allocations and growth budget proposals that will support the LFC's commitments under the London Environment Strategy. This includes implementing responsible procurement, reducing waste, reducing CO<sub>2</sub> emissions, adapting to climate change, improving air quality, and increasing London's green cover. Appendix 10 of the LFC's detailed budget submission sets out the actions taken by LFC to comply with the London Environment Strategy.

### **Reserves**

- 5.16 At 31 March 2020, LFC's general reserves are expected to total £15.5 million and are forecast to remain at the same level in each of the following financial years.
- 5.17 It is forecast that LFC will hold £57.0 million of earmarked reserves at the close of 2019-20; these reserves will reduce to £9.1 million by the end of 2023-24, as the budget flexibility reserve is fully drawn down. The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves during financial year	Outturn	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Opening balances	53.9	75.4	72.6	57.6	27.3	25.5
<i>Transfers to/from (-):</i>						
Earmarked reserves	12.4	4.8	-15.0	-30.3	-1.8	-0.8
General reserves	9.2	-7.7	0.0	0.0	0.0	0.0
<b>Closing balances</b>	<b>75.4</b>	<b>72.6</b>	<b>57.6</b>	<b>27.3</b>	<b>25.5</b>	<b>24.7</b>

- 5.18 The expected total reserves at the end of each financial year are summarised below. The unused earmarked reserves as at the end of 2023-24 include funding that has been put aside pending the sale of the 8 Albert Embankment site, for return to the GLA and London Safety Plan initiatives. These amounts are expected to be 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	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Earmarked reserves	52.2	57.0	42.0	11.7	10.0	9.1
General reserves	23.2	15.5	15.5	15.5	15.5	15.5
<b>Total</b>	<b>75.4</b>	<b>72.6</b>	<b>57.6</b>	<b>27.3</b>	<b>25.5</b>	<b>24.7</b>

## 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 and ultra-low emission zone, 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 2019 Business Plan which will be submitted for approval to its Finance Committee on 18 December 2019. The key deliverables over the next five years include:

- completing the signalling upgrade and increasing capacity by 33 per cent on the Circle, Hammersmith & City, Metropolitan and District lines;
- delivering refurbished trains on the Central line and new, spacious state-of-the-art trains on the Piccadilly line;
- continuing the electrification of London buses, already the largest electric fleet in Europe, with more than 2,000 zero-emission buses by end of 2024 and all buses zero-emission by 2037 at the latest;
- working with bus operators to implement its world-leading Bus Safety Standard, including all new buses purchased from August 2019 having Intelligent Speed Assistance as standard;
- reducing TfL's environmental impact through installing new solar panels on selected Tube, DLR and tram depots to deliver more than 1.1 megawatts of power, and the continued retrofitting of lighting across the network to energy-efficient LEDs. TfL will also be increasing the amount of low-carbon energy supplied to its infrastructure so that more comes from renewable energy sources, with an aim for its rail services to be 100 per cent carbon free by 2030;
- maintaining and upgrading existing core assets across the transport network to provide safe and reliable journeys. This includes replacing rail track to offer customers a smoother, quieter ride, and maintaining escalators and safety-critical technology to keep the system running. New walk-through trains on the DLR will be delivered;
- following a two-year pause, proactive renewal of roads and paving will also take place with a focus on improving walking, cycling and public transport. London's street tree canopy will also be increased every year to help create more green places and clean the cities air;
- supporting Crossrail Limited in the remaining and complex technical work necessary to allow the Elizabeth line to open. In the meantime, from 15 December, TfL Rail began running services to Reading from Paddington, with direct services between Heathrow and Paddington beginning in spring 2020. The central section of the Elizabeth line will open as soon as practically possible in 2021;

- helping to further clean up London's toxic air by tightening the Low Emission Zone standards in October 2020 and, in October 2021, expanding the successful central London Ultra Low Emission Zone (ULEZ) - the toughest air quality standard of any city in the world - to cover all roads within the North and South Circular;
- working with boroughs, investing in new high-quality cycle routes across and working with local communities to improve high streets, making them accessible to everyone. Delivering these schemes forms part of TfL's commitment to Vision Zero, which aims to eliminate death and serious injury from London's roads by 2041;
- delivering 10,000 homes and two million square feet of commercial floor space across London.
- introducing new services on the Northern line extension to Battersea and the Barking Riverside extension on the London Overground;
- continuing to allocate the same level of funding through the Local Implementation Plan programme to boroughs to deliver Healthy Streets changes; and
- continuing to invest in the Liveable Neighbourhoods programme which gives boroughs the opportunity to bid for funding for long-term schemes that encourage walking, cycling and the use of public transport, building on the £86 million already awarded to 18 Liveable Neighbourhood projects across London.

#### **Gross revenue expenditure**

6.3 Gross revenue expenditure in 2020-21 will increase by £83.8 million compared to TfL's latest forecast for 2019-20, predominantly due to the introduction of new services on the London Overground and the expansion of the TfL Rail network.

#### **Net revenue expenditure and council tax requirement**

- 6.4 After deducting passenger and commercial income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net service expenditure for 2020-21 is £938.0 million. An analysis of the revenue budget by service area is summarised overleaf.
- 6.5 The Mayor is proposing that TfL's council tax requirement for 2020-21 remains at £6.0 million. The balance of its net revenue expenditure is financed by £969.0 million of resources allocated by the Mayor through retained business rates income. TfL is increasingly covering its operating costs from fares and other income and has set the financial objective of breaking-even on the cost of day-to-day operations, which includes renewing and maintaining the network and covering the cost of financing, in 2022-23.
- 6.6 Passenger demand had been growing in the first half of 2019-20 owing to improved passenger journeys on the Underground and a lower than anticipated decline on buses. TfL has reflected these trends in the projections for 2019-20, which show passenger income 2.5 per cent higher than the revised 2019-20 budget. Passenger income is forecasted to increase by 3 per cent in 2020-21 compared to the forecast outturn for 2019-20. However, the delay in the opening of the Elizabeth line means the uplift in passenger income from it will begin later than previously modelled.



- 6.7 Although TfL passenger income is forecast to grow over the plan years by 25 per cent from 2020-21 to 2023-24, these levels reflect demand forecasts based on a worse case economic scenario. The uncertain macroeconomic environment and the additional costs of operating the Elizabeth line make it even more difficult than usual to forecast beyond the next two years. This Budget maintains the Mayor's freeze on TfL fares until 2020. From January 2021, TfL's plan assumes that fares rise by around the retail price index plus one per cent, to support vital investment in public transport. This is only a business planning assumption by TfL as fares are set by the Mayor on an annual basis.

### **Explanation of budget changes**

- 6.8 An analysis of the year-on-year movements in the council tax requirement compared to the revised budget for 2019-20 is set out below. An explanation of each change is provided in the paragraphs that follow.

<b>Changes in the council tax requirement</b>	<b>£m</b>
2019-20 council tax requirement	6.0
<i>Changes due to:</i>	
Inflation	158.0
Savings	-133.4
Passenger and commercial revenue and other income	-294.1
Net change in service expenditure	184.2
Government and other revenue funding	85.3
<b>2020-21 council tax requirement</b>	<b>6.0</b>

### **Inflation**

- 6.9 The Budget proposes TfL's net costs will increase by £158.0 million as a result of inflation; this represents 2.4 per cent of operating costs. TfL's savings programme aims to offset the impact of inflation as far as possible.

### **Savings and efficiencies**

- 6.10 The total savings and efficiencies which have been identified by TfL for 2020-21, totalling £133.4 million are summarised below. The figures are presented on an incremental basis and do not include any savings still to be identified:

- London Underground will deliver additional savings of £86.8 million in 2020-21 through their modernisation plan. This principally focuses on supply chain initiatives;
- Surface Transport will deliver £29.6 million of new incremental savings in 2020-21 by re-focusing the bus network on areas of greatest demand, with more services in Outer London, re-tendering and re-negotiation of operators' contracts; and commercial optimisation on smaller contracts; and

- Corporate and Commercial Development will deliver new savings of £17.0 million in 2020-21 by establishing a single Business Services function, which brings together operational activity from both Finance and Human Resources and consolidating head office accommodation, vacating older buildings and co-locating staff.

### **Passenger and commercial revenue and other income**

- 6.11 Passenger, commercial and other income (including interest income) is forecast to increase by £294.1 million (£26.7 million relating to the Elizabeth line regulatory track charges), from £5,868.6 million in 2019-20 revised TfL budget to £6,162.7 million in 2020-21. So far in 2019-20 demand performance on London Underground has been better than expected and Bus demand, whilst still in decline, reduced less than anticipated. These improvements are reflected in the 2020-21 projections alongside increases from the new TfL Rail route from Paddington to Reading from December 2019. The economic outlook, however, presents significant downside risks, and TfL is therefore maintaining a cautious approach basing the plan for all transport modes on HM Treasury's 'worst case' forecast.
- 6.12 The Mayor announced an overall freeze on TfL fares to the end of 2020. Single bus fares, single pay as you go fares on the Tube and DLR and Santander cycle hire charges will be held at prices set in 2016.
- 6.13 TfL has a comprehensive range of travel concessions, providing more than £300 million of free travel every year to children, people over 60, those on income support and other socially disadvantaged groups. Alongside the Mayor's freeze on TfL fares and the introduction of the Hopper fare, these ensure people can move around London whoever they are, and whatever their circumstances. In early 2020, TfL propose to replace the £5 refundable Oyster card deposit with a £5 fee. This will only affect cards issued after this time and will help reduce the number of cards that are returned after a few days or weeks. Customers who still use the card after a year will receive £5 'pay as you go' credit, essentially making their card free.
- 6.14 Earlier this year, TfL introduced an annual renewal process for the 60+ Oyster card to reduce the risk of misuse. The £10 renewal fee, which is in addition to the £20 one-off application fee, applies to cardholders who register for the scheme from 1 August 2019. This means the first renewal fees will be due from 1 August 2020. The fee will not apply to cardholders who benefited from the scheme before 1 August 2019. The fee contributes to the running costs of the scheme.

### **Net change in operating expenditure**

- 6.15 The net change in operating expenditure, excluding inflation and savings, but including the movement in revenue resources used to support capital and debt servicing, is an increase of £184.2 million. This includes £26.7 million of Elizabeth line track charges, and an increase in debt financing costs of £11.7 million. This also includes £47.4 million of operating expenditure due to increased services running on the Elizabeth line.

### **Other revenue grants and business rates**

- 6.16 Overall income from other grants and business rates will decrease by £85.3 million in 2020-21 compared to the revised 2019-20 budget. This is due to a one-off allocation received from the Mayor in 2019-20 to fund air quality priorities of £60.0 million, £13.0 million of other specific air quality grants and the Government's London Overground grant of £27.0 million both ceasing. This is partially offset by a like for like increase in retained business rates of £14.7 million.

### **Equalities**

- 6.17 TfL's Business Plan is underpinned by a new Action on Inclusion strategy (to be published in 2020), which builds on existing customer facing work on:

- accessibility to focus more on creating spaces and places that work better for everyone through inclusive design;
- step-free access to more fully consider the other barriers experienced by disabled people e.g. signage, lighting, consistency, predictability and legibility;
- modal accessibility to focus more on end-to-end journeys;
- accessibility to adopt an inclusive approach that helps overcome the barriers known to deter many other minority groups like crime, fear of crime, anti-social behaviour, overcrowding, safety, and affordability; and
- accessible journeys to thinking more about connectivity and inclusive city planning - tackling one of the biggest barriers for many Londoners of poverty and inequality.

- 6.18 The Business Plan will be delivered in line with TfL's new approach to workforce diversity and inclusion issues. Maturing TfL's approach in this area will also include focusing on diversity of thought, background and experience as well as continuing to address issues of under representation, inequality and discrimination. Prioritisation of actions to create more inclusive cultures will benefit everyone, for example by honing more inclusive leadership behaviours through the new leadership foundation.

- 6.19 The TfL Scorecard approach provides measures for tracking progress against this vision. TfL will also continue to report against their work through its Annual Diversity and Inclusion Impact Report, Gender and Ethnicity Pay Gap Reports, the GLA Diversity and Inclusion Action Standard and through the Mayor's Annual Equality Report.

- 6.20 TfL's Business Plan includes a number of projects and programmes, which aim to achieve the goals set out in Action on Equality and the Mayor's Transport Strategy (MTS) and comply with the PSED. Each of the individual projects and programmes will be subject to their own equality impact assessment. The implementation of the Business Plan will help to reduce the number of barriers that can be experienced by Londoners when planning or making a journey.

## Environmental impact

- 6.21 TfL are investing in initiatives to reduce emissions of air pollutants and greenhouse gases from transport in London. TfL are also undertaking actions to increase the resilience of transport in London to the impacts of climate change and deliver increased green infrastructure across the transport network.
- 6.22 The ULEZ began in central London in April 2019 and has had a significant impact on air quality in its initial months of operation. It will be expanded to an area bounded by the North and South Circular roads, in 2021. TfL will implement the infrastructure to support the expansion of the ULEZ, which will require all vehicles to meet minimum emissions standards to travel in the zone or pay a daily charge. TfL will strengthen the Low Emission Zone (LEZ) standards for heavy vehicles in October 2020. This will require all eligible vehicles to meet stricter standards to travel in the zone or pay a daily charge.
- 6.23 TfL are committed to reducing air pollution from the bus fleet. By 2020, the entire fleet will meet the ultra-clean Euro VI engine emissions standard. London now has the largest electric bus fleet in Europe; and will introduce more zero-emission buses over the budget period as part of the Mayor's commitment to a fully zero-emission bus fleet. Vehicles in the support fleet will be converted to Ultra Low Emission Vehicles, in line with commitments in the London Environment Strategy (LES) for vehicles in the GLA Group fleet.
- 6.24 TfL will continue to assist taxi drivers in making the transition to cleaner vehicles, through de-licensing payments, new vehicle grants and providing the electric charging infrastructure to enable mass uptake, helping to reduce harmful NOx emissions from taxis. These taxis will support the introduction of Zero Emission Zones. To support the growing number of Zero Emission Capable (ZEC) taxis, and the take-up of electric vehicles, TfL are continuing to invest in a network of Rapid Charge Points across London and 300 Rapid Charge Points will have been installed by December 2020.
- 6.25 TfL will reduce operational carbon emissions to meet the carbon budgets set out in the LES, through measures to improve energy efficiency and install new renewable generation on their estate. To meet the ambition of TfL rail services being zero carbon by 2030, the energy procurement strategy is being reviewed with a view to purchasing energy from new, renewable sources.
- 6.26 TfL will continue to support achievement of the Mayor's target for London to have at least 50 per cent green cover by 2050, by incorporating green infrastructure into Healthy Streets schemes, and as part of the Liveable Neighbourhoods programme. TfL will seek to meet the MTS requirement of a one per cent annual increase in street tree numbers on the Transport for London Road Network as part of maintenance activities on the network.
- 6.27 TfL supports the LES commitment to reduce single use plastic. Targets in this area have been added to their Head Office Catering and Operational Catering contracts. Reusable water bottles are part of the kit available to London Underground frontline station employees and are set to replace all plastic cups in stations. TfL is installing drinking water fountains at a number of its stations and will ensure water fountains will be included in future station upgrade projects.

### Reserves

- 6.28 At 31 March 2020, general reserves are expected to total £150.0 million and are forecast to increase to £500 million in 2020-21 and remain at the same level in each of the following financial years.
- 6.29 It is forecast that TfL will hold £1,131.2 million of earmarked reserves at the close of 2020-21; these reserves will rise to £1,653.5 million by the end of 2023-24. Earmarked reserves have been established to finance future projects, consistent with TfL's approved Business Plan. The general fund is maintained 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	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Opening balances	1,098.6	1,606.5	1,768.2	1,631.2	1,417.7	1,983.8
<i>Transfers to/from (-):</i>						
Earmarked reserves	507.9	161.7	-487.0	-213.5	566.1	169.7
General reserves	0.0	0.0	350.0	0.0	0.0	0.0
<b>Closing balances</b>	<b>1,606.5</b>	<b>1,768.2</b>	<b>1,631.2</b>	<b>1,417.7</b>	<b>1,983.8</b>	<b>2,153.5</b>

- 6.31 The expected total reserves at the end of each financial year are summarised in the following table. The unused earmarked reserves as at the end of 2023-24 include funding that is being put aside for TfL's Investment Programme.

Total reserves at end of financial year	Outturn	Forecast	Budget	Plan	Plan	Plan
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Earmarked reserves	1,456.5	1,618.2	1,131.2	917.7	1,483.8	1,653.5
General reserves	150.0	150.0	500.0	500.0	500.0	500.0
<b>Total</b>	<b>1,606.5</b>	<b>1,768.2</b>	<b>1,631.2</b>	<b>1,417.7</b>	<b>1,983.8</b>	<b>2,153.5</b>

## London Legacy Development Corporation

- 7.1 The London Legacy Development Corporation ('the Legacy Corporation' or LLDC) 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 and in progress, one at Chobham Manor and one at East Wick and Sweetwater. Further work includes delivering East Bank, a new cultural and education centre, 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 2020-21 the LLDC's revenue and capital budgets will be deployed to deliver the following objectives:
- continuing East Wick and Sweetwater phase 1 and Chobham Manor phase 3, on schedule to complete in 2021-22;
  - selecting the developer for Stratford Waterfront and Bridgewater residential development;
  - commencing master planning and agreeing the delivery approach for Rick Roberts Way with London Borough of Newham and the GLA;
  - completing 3 Mills river walls repair work;
  - achieving an estimated 6.2 million visitors to the Park in the context of less event space and more construction work;
  - managing and maintaining the quality of the Park and venues, including retaining Green Flag status;
  - supporting the safe delivery of summer concerts, music festivals and sporting events;
  - continuing Stadium operations including football, summer athletics and major league baseball;
  - continuing construction of East Bank Stratford Waterfront cultural and educational buildings to programme;
  - working towards improved financial sustainability of the Stadium; and
  - progressing LLDC's transition strategy.

### **Gross revenue expenditure**

- 7.4 Gross revenue expenditure in 2020-21 is budgeted to be £65.7 million including estimated capital financing costs of £13.0 million and Stadium costs of £16.6 million, £52.7 million net of financing costs.
- 7.5 Gross revenue expenditure has increased by £19.2 million from the 2019-20 revised budget, of which £16.6 million relates to the Stadium's operation (previously included in the capital budget). The remaining £2.6 million relates to financing costs (£1.9 million), which are driven by LLDC's level of borrowings, and a net increase across LLDC's other directorates (£0.7 million), including an additional £1.0 million of expenditure at 3 Mills Studios (offset by a corresponding increase in income). The change in the LLDC's gross revenue expenditure compared to the forecast 2019-20 outturn is £2.7 million.

### **Net revenue budget and council tax requirement**

- 7.6 Net revenue expenditure in 2020-21 is budgeted to be £50.5 million or £37.5 million net of financing costs.
- 7.7 Net revenue expenditure (excluding changes in Stadium and financing costs) has decreased by £1.2 million from the 2019-20 revised budget. The revenue budget is summarised on an objective basis in the table overleaf.

### **Explanation of budget changes**

- 7.8 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.
- 7.9 An analysis of the year on year movement in the council tax requirement is set out below.

<b>Changes in the council tax requirement</b>	<b>£m</b>
2019-20 council tax requirement	0.0
Changes due to:	
Inflation	0.5
Savings and efficiencies	-2.0
Net change in existing service expenditure	18.8
Net change in GLA funding	-17.3
<b>2020-21 council tax requirement</b>	<b>0.0</b>

Objective analysis LLDC	Revised Budget 2019-20	Forecast Outturn 2019-20	Budget 2020-21	Plan 2021-22	Plan 2022-23	Plan 2023-24
	£m	£m	£m	£m	£m	£m
Park Operations and Venues	9.0	9.0	9.6	9.6	10.1	10.3
Trading	8.9	9.0	9.9	9.8	9.9	10.5
Developments	0.1	0.1	0.1	0.1	0.1	0.1
Regeneration	3.3	2.6	2.4	2.4	2.4	2.4
Corporate	10.5	10.2	10.4	10.4	10.8	11.0
Planning Authority	2.5	3.4	3.1	2.6	2.3	2.3
Stadium	0.0	17.5	16.6	11.3	11.1	10.8
Irrecoverable VAT and contingency	1.0	0.6	0.6	0.5	0.5	0.4
Financing costs	11.1	10.5	13.0	15.1	15.6	15.5
Income/savings to be identified	0.0	0.0	0.0	-2.1	-1.8	-1.8
<b>Total expenditure</b>	<b>46.5</b>	<b>63.0</b>	<b>65.7</b>	<b>59.7</b>	<b>60.9</b>	<b>61.4</b>
Park Operations and Venues	-3.8	-3.5	-3.9	-4.3	-6.2	-7.2
Trading	-7.5	-7.6	-9.0	-9.8	-9.6	-9.4
Developments	-0.1	-0.1	-0.2	-0.5	-1.0	-1.3
Regeneration	0.0	0.0	-0.1	-0.1	-0.1	-0.1
Corporate	-0.3	-0.3	-0.4	-0.2	-0.2	-0.2
Planning Authority	-1.6	-2.5	-1.6	-1.4	-1.1	-1.0
<b>Total income</b>	<b>-13.3</b>	<b>-14.0</b>	<b>-15.2</b>	<b>-16.3</b>	<b>-18.2</b>	<b>-19.2</b>
<b>Net expenditure</b>	<b>33.1</b>	<b>48.9</b>	<b>50.5</b>	<b>43.4</b>	<b>42.6</b>	<b>42.2</b>
Retained business rates	16.8	34.3	32.6	27.3	27.1	26.8
Mayoral Development Corporation Reserve	5.2	4.1	4.9	1.0	0.0	0.0
GLA funding for financing costs	11.1	10.5	13.0	15.1	15.6	15.5
<b>Council tax requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Inflation

- 7.10 This is estimated at £0.5 million and is mainly due to the inflationary uplift on the Estates and Facilities Management contract and pay inflation on the salary budget.

### Savings and efficiencies

- 7.11 The budget incorporates planned change in savings and efficiencies of £2.0 million.

- 7.12 The budget currently reflects a total funding gap of £2.1 million in 2021-22, for which LLDC will need to identify additional savings and efficiencies, or source additional funding.

### **Net change in existing service expenditure**

- 7.13 The budget proposes a £18.8 million increase in service expenditure and income (before savings and efficiencies, and inflation); however, this includes £16.6 million relating to Stadium expenditure, previously budgeted for as capital spending and £1.9 million for additional capital financing costs. Excluding these, there is an underlying net year-on-year increase of £0.3 million.

### **Change in GLA funding**

- 7.14 The LLDC receives its revenue funding via the GLA, paid from retained business rates and funds held in the Mayoral Development Corporation Reserve. Retained business rates are also allocated to fund Stadium expenditure (previously funded from capital funding sources).
- 7.15 The LLDC's reserves have been subsumed into the GLA's earmarked reserves. The GLA will fund historic aggregate underspends carried forward of up to £5.9 million, held in the Mayoral Development Corporation reserve.

### **Equalities**

- 7.16 LLDC was established to deliver the legacy ambitions of the London 2012 Games through 'the regeneration of an entire community for the direct benefit of everyone who lives there'. Its mission is 'to use the opportunity of the London 2012 Games and the creation of the Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want to – and can afford – to live, work and visit.'
- 7.17 The LLDC promotes equality through its objectives to:
- establish successful and integrated neighbourhoods where people want and can afford to live, work, and play;
  - retain, attract and grow a diverse range of high-quality businesses and employers, and maximise employment opportunities for local people and under-represented groups; and
  - create a global, future-ready exemplar for the promotion of cross-sector innovation in technology, sustainability, education, culture, sport, inclusion and participation.
- 7.18 In addition, the LLDC is promoting equality by putting in place arrangements to create more affordable housing within the residential developments around the Park.

### **Environmental impact**

- 7.19 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 that exceeds requirements under the London Plan. The LLDC commits to implementing the new London Plan environmental policies.
- 7.20 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.

- 7.21 LLDC supports the efficient and effective delivery of the London Environment Strategy; delivered by ensuring that Mayoral targets are met by planning, procuring and project managing the sustainability elements of developments over which LLDC has influence. This includes providing sustainability-related input to the East Bank development, related to carbon emissions (in-use and embodied), water consumption and efficient use of materials and supply chain management.
- 7.22 In addition, the LLDC's budget for activities promoting environmental sustainability supports the implementation of the London Environment Strategy across the Park's operation and development. This includes implementing responsible procurement, reducing CO<sub>2</sub> emissions (including specific actions within its operations as well as through the deployment of LLDC's Carbon Offset Fund), reducing waste and supporting the development of a circular economy, adapting to climate change, improving air quality, and increasing London's green cover and biodiversity.

### **Reserves**

- 7.23 As stated previously, historic LLDC reserves have been subsumed into the GLA. The GLA will provide additional funding in lieu of these, including an estimated £5.9 million of cumulative underspend carried forward in 2020-21. The reserves (held by the GLA on behalf of LLDC) phase out over time, with LLDC fully reliant on funding from retained business rates in the future years. There are sufficient reserves and grant funding to balance LLDC's requirements for 2020-21. However, revenue gaps in the following three years will need to be addressed to reduce the funding requirement to the ongoing core retained business rates allocation of £16.0 million per year (excluding Stadium revenue grant and grant funded financing costs).

## Old Oak and Park Royal Development Corporation

- 8.1 OPDC is the Mayoral Development Corporation (MDC) for the Old Oak and Park Royal area. It came into operation on 1 April 2015 to deliver the strategic regeneration opportunity provided by 134 hectares of brownfield land close to central London, creating an exemplar sustainable and inclusive community.
- 8.2 The new Old Oak Common station will be the UK's largest ever sub-surface station and will be the largest station to be built in the country in a century. When the station opens, transport connectivity between Old Oak and Central London, Heathrow and the wider UK will be outstanding, offering an interchange between HS2, the Elizabeth line and Great Western services. The Old Oak and Park Royal Development Corporation (OPDC) will utilise its planning and regeneration powers to ensure that these benefits are captured and maximised to deliver much-needed homes, jobs and facilities.
- 8.3 The budget has been prepared in the context of recent external factors facing the OPDC, including the Government's review of HS2, followed by the confirmation on 11 February 2020 that the scheme would proceed, the Planning Inspector's interim report on OPDC's draft Local Plan and continuing discussions with MHCLG over early phase funding for the regeneration of Old Oak.
- 8.4 Taking account of these factors, and the recent detailed land referencing exercise undertaken with local businesses and landowners, OPDC has determined that a revised phasing of their plans for Old Oak is required. This is to involve a shift away from OPDC's proposed early delivery of 'Phase 1A' at Old Oak North, and towards a combination of early delivery sites where development can be accelerated because associated infrastructure already exists, alongside a more strategic scale of regeneration for the extensive sites to the north and west of the proposed HS2 interchange at Old Oak. Most of these are in public ownership, mainly Network Rail and HS2, and OPDC will be working closely with both of these agencies in the coming period to scope their plans for bringing forward a co-ordinated and deliverable plan for major regeneration.
- 8.5 As part of this review, OPDC are no longer currently seeking to acquire land in the ownership of Cargiant (the principal landowner in Old Oak North) and consequently will work with MHCLG and Homes England to explore the potential for alternative support for their new phasing approach. OPDC has taken a prudent view of the necessary costs for the coming year, as a consequence of which it is proposed to scale back expenditure to reflect a revised phasing plan. Accordingly, the draft budget shows a reduction of £1.9 million compared to overall Mayoral funding total for OPDC outlined in the Mayor's Budget Guidance issued in June 2019.

8.6 OPDC's 2020-21 proposed budget includes the costs of administering their existing statutory planning functions, which spans an area in three boroughs (Hammersmith & Fulham, Brent and Ealing); funding to support a significant increase in their interventions in Park Royal to boost the productivity and sustainability of London's largest industrial estate, including a number of third party funding bids; support to enable OPDC to work with investors and landowners to bring forward innovative early development sites; and support for the development of new proposals, in collaboration with HS2 and Network Rail, with a view to bringing forward major proposals later in 2020.

### **Key deliverables**

8.7 The key deliverables for 2020-21 are as follows:

- Accelerated early delivery: working with landowners and investors to unlock a range of sites for residential and employment uses where major infrastructure is not required;
- Strategic regeneration: working with HS2, Network Rail and borough partners; identify and bring forward proposals for the largely public sector owned 'western' land for major redevelopment. The workstreams include the development of a clear vision and strategy, alongside a feasibility study and funding proposal to support an implementation plan;
- Early activation: a range of proposals to deliver improvements to public realm, local infrastructure and community amenities in the OPDC area that upgrade local facilities and support long-term value creation;
- Park Royal: OPDC is delivering projects in Park Royal next year such as improving digital infrastructure, setting up the Employment and Skills Hub and improving the public realm. Some projects will commence during the course of the year, but are dependent on securing external funding, for instance, transport network improvements to be resourced by a bid to the TfL Liveable Neighbourhoods fund. Other projects such as Clean Growth and 5G are currently in the development/planning phase;
- Local Plan: progression and adoption of OPDC's Local Plan, providing a series of robust planning policies to guide future development, along with Supplementary Planning Documents (SPDs) which will provide guidance to support the successful implementation of OPDC's Local Plan policies; and
- Planning applications: the timely consideration and determination of planning applications and an effective pre-application process that improves outcomes which support a high-quality of development, with better design, and greater levels of affordable housing and social infrastructure.

### **Gross revenue and capital expenditure**

8.8 The Mayor's proposed gross revenue expenditure for the OPDC in 2020-21 is £8.6 million.

### **Net revenue budget and council tax requirement**

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

Objective analysis  OPDC	Revised Budget  2019-20	Forecast Outturn  2019-20	Budget  2020-21	Plan  2021-22	Plan  2022-23	Plan  2023-24
	£m	£m	£m	£m	£m	£m
	CEO Office	1.0	0.9	0.8	0.8	0.8
Delivery	6.0	5.5	2.4	1.9	1.9	1.9
Planning	2.8	2.6	1.9	1.9	1.9	1.9
Corporate Operations	3.1	2.9	3.5	3.5	3.5	3.5
<b>Total expenditure</b>	<b>12.9</b>	<b>11.9</b>	<b>8.6</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>
Planning application income	-0.3	-0.2	-0.3	-0.3	-0.3	-0.3
Other Income	-0.8	-0.8	-0.5	0.0	0.0	0.0
<b>Total income</b>	<b>-1.1</b>	<b>-1.0</b>	<b>-0.8</b>	<b>-0.3</b>	<b>-0.3</b>	<b>-0.3</b>
<b>Net expenditure</b>	<b>11.8</b>	<b>10.9</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>	<b>7.8</b>
Business rates	9.5	9.5	7.8	7.8	7.8	7.8
Mayoral Development	2.3	1.4	0.0	0.0	0.0	0.0
Corporation Reserve						
<b>Council tax requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

### Explanation of budget changes

- 8.10 An analysis of the year-on-year movement in the council tax requirement, comparing the revised 2019-20 budget to the proposed 2020-21 budget, is set out below.

Changes in the council tax requirement	£m
2019-20 council tax requirement	0.0
<i>Changes due to:</i>	
Inflation	0.1
Savings and efficiencies	-3.1
New initiatives and service improvements	0.0
Net change in GLA funding	3.1
<b>2020-21 council tax requirement</b>	<b>0.0</b>

### Inflation

- 8.11 The budget includes a provision for inflation of £0.1 million. This reflects the expected pay award in 2020-21.

### Savings and efficiencies

- 8.12 The budget incorporates planned savings and efficiencies of £3.1 million. This reflects a revised phasing plan for Old Oak in 2020-21, towards a combination of early delivery sites where development can be accelerated.

### **Net change in GLA funding**

- 8.13 The OPDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve. The funding provided by the GLA will reduce by £3.1 million in 2020-21, compared to the revised 2019-20 budget.

### **Equalities**

- 8.14 Equality for all is at the centre of the corporate strategy of the OPDC, which is to improve lives through employability, improved homes and exemplar neighbourhoods. OPDC's corporate strategy is being reviewed, for consideration by its Board in spring 2020. The OPDC's approach to inclusion is set out in Inclusive London, the Mayor's equality, diversity and inclusion strategy.
- 8.15 The OPDC will deliver new housing and employment capacity for London in ways that are accessible and inclusive for all sections of new and existing communities. OPDC's Local Plan recognises the importance of this and seeks to deliver 'Lifetime Neighbourhoods' with inclusive design at the heart of development. OPDC is allocating funding for a range of investment, policies and programmes to positively impact equalities outcomes.
- 8.16 The OPDC is committed to creating a diverse and inclusive workforce through measures such as the development of a clear action plan to achieve the objective and monitoring, analysing and publishing workforce equalities data. 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 sports facilities in the development area.

### **Environmental impact**

- 8.17 OPDC's draft Local Plan includes a range of environmental planning policies that will support the Mayor's target for London to become a zero carbon city by 2050. This includes policies requiring developments to be air quality and biodiversity positive, reduce and re-use waste materials, minimise energy and source any energy generation needs from low carbon sources, in accordance with the Mayor's Energy Hierarchy. OPDC is developing planning guidance to support the implementation of these policies.
- 8.18 The OPDC area will benefit from a highly-connected network of new and improved streets and open spaces, which will encourage exemplary levels of walking and cycling. Sustainable transport will be embedded at the heart of the future masterplan, with a redesigned and improved local bus network, and a significantly transformed road network. The OPDC commits to implementing the new London Plan environmental policies.
- 8.19 Through its expanded programme for Park Royal, OPDC will be working to develop strategies and pilot implementation of low carbon technologies suitable to support Park Royal's development and reduce its environmental impact. This includes delivering a photovoltaic electricity pilot, working with TfL to implement vehicle charging points and looking for further opportunities to support investment in low carbon generation and energy storage technology on the estate.

- 8.20 As a member of the GLA Group, OPDC supports the measures in the London Environment Strategy, such as increasing access to tap water, reducing emissions (including through installation of solar), improving OPDC's climate resilience through green infrastructure and sustainable drainage, and reducing the OPDC's waste and increasing recycling rates.

### **Reserves**

- 8.21 The OPDC has no reserves as its operational expenditure is funded by retained business rates and balances held in the GLA's Mayoral Development Corporation Reserve. The balance of the contingency for activity in the OPDC area, held in the Mayoral Development Corporation Reserve, is available to meet unexpected operational pressures.

## Capital Strategy including Capital Spending Plan

- 9.1 The Mayor is required to prepare a Capital Strategy for the GLA and its functional bodies. This Strategy sets out a detailed Capital Spending Plan every year for the five years from 2019-20 and then an indicative high-level capital plan for a further fifteen years.
- 9.2 The intention of the Capital Strategy is to drive the Mayor's capital investment ambition, whilst ensuring the sustainable long-term delivery of services. The benefits of preparing a Capital Strategy are that it provides a clear framework for investment decisions, aligns capital plans to the Mayor's priorities and promotes transparency and accountability.
- 9.3 The GLA and its functional bodies have different approaches to the preparation of their own Capital Strategy which reflect their separate governance processes. However, the Mayor's Capital Strategy reflects the Group Investment Syndicate's processes, where the GLA and all functional bodies, excluding TfL, align their treasury strategies.
- 9.4 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 1999. 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 under the Local Government Act 2003 to set the borrowing limits for the GLA and functional bodies following consultation with the Assembly the proposals for which are set out in Appendices A to E for the GLA and each relevant functional body.
- 9.5 The table below summarises the Mayor's final draft Capital Spending Plan (CSP) to 2023-24. Overall the GLA Group will be investing slightly less in 2020-21 than in 2019-20. The majority of this year on year change reflects the impact of the GLA's additional contribution to Crossrail, which was agreed in December 2018, reducing in 2020-21.

Summary of the capital plan 2019-20 to 2023-24	2019-20 Forecast £m	2020-21 Plan £m	2021-22 Plan £m	2022-23 Plan £m	2023-24 Plan £m	5 year total £m
GLA	2,112.0	1,713.0	1,123.5	933.5	645.8	6,527.8
MOPAC	274.3	405.6	277.3	284.6	299.9	1,541.7
LFC	33.2	37.4	51.9	19.1	18.3	159.9
TfL	2,732.9	2,706.7	1,952.6	1,905.5	1,905.8	11,203.5
LLDC	145.9	279.1	213.6	57.2	21.2	717.0
<b>Total capital expenditure</b>	<b>5,298.3</b>	<b>5,141.8</b>	<b>3,618.8</b>	<b>3,199.9</b>	<b>2,891.0</b>	<b>20,149.9</b>

- 9.6 Set out below is a summary of the Mayor's Final Draft Capital Spending Plan for 2020-21 which shows the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act. The capital spending plan including these statutory amounts will be approved by a separate Mayoral Decision before the end of February 2020.

**Final Draft GLA Group statutory capital spending plan 2020-21 under Section 122 of the GLA Act**

Section	GLA £m	MOPAC £m	LFC £m	TfL £m	LLDC £m
Total external capital grants	1,524.5	54.7	0.0	1,165.5	76.6
Opening balance of capital receipts	346.0	0.0	9.5	0.0	0.0
Total capital receipts during the year	61.7	88.0	39.0	201.2	99.8
<b>A Total capital grants/ receipts</b>	<b>1,932.2</b>	<b>142.7</b>	<b>48.5</b>	<b>1,366.7</b>	<b>176.4</b>
Minimum s.120(1) grant	0.0	0.0	0.0	0.0	0.0
Total borrowings during the year	230.0	272.0	0.0	1,351.8	102.7
Total credit arrangements during the year	0.0	0.0	0.0	0.0	0.0
<b>B Total borrowings and credit arrangements</b>	<b>230.0</b>	<b>272.0</b>	<b>0.0</b>	<b>1,351.8</b>	<b>102.7</b>
Total capital expenditure anticipated during the year	1,713.0	405.6	37.4	2,706.7	279.1
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
<b>C Total capital spending for the year</b>	<b>1,713.0</b>	<b>405.6</b>	<b>37.4</b>	<b>2,706.7</b>	<b>279.1</b>
Funding: capital grants and contributions	1,109.0	45.6	2.1	1,165.5	76.6
Funding: capital receipts/reserves	184.5	88.0	35.3	189.4	99.8
Funding: borrowings and credit arrangements	230.0	272.0	0.0	1,351.8	102.7
Funding: revenue contributions	189.5	0.0	0.0	0.0	0.0
<b>D Total funding</b>	<b>1,713.0</b>	<b>405.6</b>	<b>37.4</b>	<b>2,706.7</b>	<b>279.1</b>

- 9.7 Set out below is a summary table of the GLA and each functional body's high-level capital spending need for a further fifteen years. These estimates are based on many detailed assumptions, set out in the individual Capital Strategies for the GLA and functional bodies. However, it shows that on average over the fifteen-year period, the Mayor has a capital spending need on average of some £12.5 billion every year from 2024-25 onwards. Just under 98 per cent of this spending need arises from housing and transport.

### Capital Strategy

Outturn prices	Years	Years	Years	Total
	6-10	11-15	16-20	Years 6-20
	2024-25 to 2028-29	2029-30 to 2033-34	2034-35 to 2038-39	2024-25 to 2038-39
	£m	£m	£m	£m
<b>GLA: Mayor</b>				
Housing	24,602.5	24,906.0	24,500.0	74,008.5
Regeneration	246.0	245.0	265.0	756.0
Environment	198.0	186.0	185.0	569.0
Other	335.1	118.8	65.7	519.6
<b>Subtotal GLA</b>	<b>25,381.6</b>	<b>25,455.8</b>	<b>25,015.7</b>	<b>75,853.1</b>
<b>MOPAC</b>				
Transformation	246.7	170.0	170.0	586.7
Maintenance	486.1	474.9	449.1	1,410.1
<b>Subtotal MOPAC</b>	<b>732.8</b>	<b>644.9</b>	<b>619.1</b>	<b>1,996.8</b>
<b>LFC</b>				
Estate, ICT and fleet maintenance	184.3	176.1	56.5	416.9
<b>Subtotal LFC</b>	<b>184.3</b>	<b>176.1</b>	<b>56.5</b>	<b>416.9</b>
<b>TfL</b>				
Crossrail 2	2,852.8	18,084.4	20,304.0	41,241.2
Line extensions	7,276.8	8,357.3	1,079.6	16,713.8
Line upgrades	5,614.0	4,704.0	7,326.0	17,644.1
Enhancements	4,251.9	4,407.6	5,156.2	13,815.7
Renewals	5,038.1	6,709.2	7,628.9	19,376.2
<b>Subtotal TfL</b>	<b>25,033.6</b>	<b>42,262.6</b>	<b>41,494.8</b>	<b>108,791.0</b>
<b>LLDC</b>				
Construction, infrastructure and lifecycle	60.7	41.4	2.2	104.3
<b>Subtotal LLDC</b>	<b>60.7</b>	<b>41.4</b>	<b>2.2</b>	<b>104.3</b>
<b>Total GLA Group</b>	<b>51,393.0</b>	<b>68,580.8</b>	<b>67,188.3</b>	<b>187,162.1</b>

9.8 The table below shows the GLA and each functional body's total spending need over years 5 to 20 against the likely level of capital resources available and illustrates the scale of likely shortfall. Although this analysis is again subject to many assumptions set out in the individual Capital Strategy documents, it shows that the scale of capital need far outweighs the likely level of capital resources that under existing Government policy the Mayor is likely to receive.

<b>Outturn prices</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Total</b>
	<b>6-10</b>	<b>11-15</b>	<b>16-20</b>	<b>Years 6-20</b>
	<b>2024-25 to</b>	<b>2029-30 to</b>	<b>2034-35 to</b>	<b>2024-25 to</b>
	<b>2028-29</b>	<b>2033-34</b>	<b>2038-39</b>	<b>2038-39</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>GLA: Mayor</b>				
Spending need	25,381.6	25,455.8	25,015.7	75,853.1
Likely funding	4,587.9	3,938.1	3,486.8	12,012.7
<b>Subtotal GLA shortfall</b>	<b>20,793.7</b>	<b>21,517.7</b>	<b>21,528.9</b>	<b>63,840.4</b>
<b>MOPAC</b>				
Spending need	732.8	644.9	619.1	1,996.8
Likely funding	297.3	191.8	246.4	735.5
<b>Subtotal MOPAC shortfall</b>	<b>435.5</b>	<b>453.1</b>	<b>372.7</b>	<b>1,261.3</b>
<b>LFC</b>				
Spending need	184.3	176.1	56.5	416.9
Likely funding	48.0	37.0	37.0	122.0
<b>Subtotal LFC shortfall</b>	<b>136.3</b>	<b>139.1</b>	<b>19.5</b>	<b>294.9</b>
<b>TfL</b>				
Spending need	25,033.6	42,262.6	41,494.8	108,791.0
Likely funding	12,011.4	23,844.6	25,230.2	61,086.2
<b>Subtotal TfL shortfall</b>	<b>13,022.2</b>	<b>18,418.0</b>	<b>16,264.6</b>	<b>47,704.8</b>
<b>LLDC</b>				
Spending need	60.7	41.4	2.2	104.3
Likely funding	60.7	41.4	2.2	104.3
<b>Subtotal LLDC shortfall</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total GLA Group shortfall</b>	<b>34,387.7</b>	<b>40,527.9</b>	<b>38,185.7</b>	<b>113,101.4</b>

9.9 The following sections set out the key issues arising from the above tables for the GLA and each of the functional bodies.

### **Greater London Authority**

9.10 The GLA's detailed five-year CSP of £6.528 billion over 2019-24 can be summarised, as follows:

- Housing expenditure of £4.337 billion which is principally to allow 116,000 affordable homes starts within London by 2022;
- The balance of the GLA's additional contribution to Crossrail of £1.035 billion in 2019-21;
- Regeneration expenditure of £0.259 billion which includes the Further Education programme, Skills for Londoners, the Growing Places Fund and the Good Growth Fund, and Environment programmes, such as Warmer Homes and drinking fountains; and
- Other capital expenditure of around £0.897 billion principally for the Northern Line Extension, the LLDC for East Bank, Cultural Programmes and the GLA's 'Smarter Working' policy.

9.11 The detailed GLA CSP for the period 2019-24 reflects the current levels of availability of Government capital funding, which acts a constraint on the Mayor's ambitions for London. The Mayor will continue to press for additional capital funding from the Government, in particular given the climate and ecological emergency.

9.12 The GLA's shortfall between spending need and likely level of resource is on average over £4.2 billion per annum from 2024-25 onwards. This principally results from the level of affordable housing to achieve the aim set out in the London Plan of half of all new homes built to be genuinely affordable, after allowing for only the existing level of Government grant being maintained rather than increased to the levels needed. In addition, the gap arises from the ambitions for London set out in the Mayor's London Environment Strategy and the assumption that there will be a continued need to invest in Regeneration and Skills at least at current levels, but presently there are no confirmed resources for such programmes. To ensure no double-counting with TfL's Capital Strategy, there is no assumed GLA expenditure and funding for Crossrail 2.

9.13 The GLA's final draft CSP, and authorised and operating borrowing limits, are set out at Appendix A.

### **MOPAC**

9.14 MOPAC's detailed five-year CSP of £1.542 billion over 2019-24, can be summarised, as follows:

- £1 billion on transformation activities including: £442 million on transforming the estate; £238 million on property forward works; £139 million on Transforming Investigations and Prosecution and £121 million on Optimising Contact and Response; and

- £578 million on non-transformation activities including: £111 million on property lifecycle works; £133 million on fleet; £192 million on the core costs of IT equipment including for frontline officers, and £142 million on National Counter Terrorism Policing Headquarters (NCTPHQ).

- 9.15 MOPAC's shortfall between spending need and likely level of resource is some £84 million per annum from 2024-25 onwards. There are many uncertainties over this longer time horizon on both the funding and expenditure side. Therefore, it is assumed that the capital forecast will largely be that which is necessary to maintain and replace existing assets, providing accommodation for existing officer numbers and the initial uplift in police officer numbers for 2020-21. Work is underway to understand the impact on the estate of further officer uplift, this will be finalised once officer numbers and how they will be allocated within the MPS is confirmed. When considering future innovation and transformation funding, there will be a need for MOPAC and the MPS to find a balance between capital and revenue funding. This is not foreseeable at this stage.
- 9.16 MOPAC's final draft CSP, and authorised and operating borrowing limits, are set out at Appendix B.

#### **LFC**

- 9.17 LFC's detailed five-year CSP of £160 million over 2019-24 allows for maintenance and replacement of the Commissioner's building, fleet and IT assets and some limited sustainability works and new developments, such as the new training centre.
- 9.18 LFC's shortfall between spending need and likely level of resource is on average some £20 million per annum from 2024-25 onwards, after allowing for an assumed level of borrowing. This shortfall principally results from the need to continue to invest and maintain assets, such as the LFC's estate, IT and fleet. The programme includes the capital investment requirements to ensure that the LFC's fleet meets the ULEZ and replacement of vehicles as they come to the end of their useful life.
- 9.19 LFC's final draft CSP, and authorised and operating borrowing limits, are set out at Appendix C.

#### **TfL**

- 9.20 TfL's five-year CSP of £11.204 billion over 2019-24 can be summarised, as follows:
- Renewals of £3.087 billion;
  - Line upgrades of £2.538 billion;
  - Crossrail, including Elizabeth line trains and enabling works of £1.748 billion;
  - Streets, buses and other Surface expenditure of £1.287 billion;
  - Expenditure on London Underground of £0.538 billion;
  - Line extensions of £0.508 billion; and

- Other corporate expenditure, including on Rail, of £1.499 billion.

- 9.21 The first five years of the capital plan are fully balanced. The total estimated capital spend required for the 15 years from 2024-25 is £108.8 billion, of which Crossrail 2 costs are £41.2 billion. This represents an average spending need of £4.5 billion every year from 2024-25 onwards for TfL and £2.7 billion per annum for Crossrail 2. The level of transport investment suggested reflects the Mayor's and TfL's assessment of future needs as set out in the Mayor's Transport Strategy (MTS). It is also very close to the National Infrastructure Commission's assessment of London's transport infrastructure requirements. As is normal, not all the funding for future transport infrastructure schemes has yet been identified. TfL will continue to develop potential funding packages for a number of major schemes, including Crossrail 2, the Bakerloo line extension and a potential DLR extension to Thamesmead.
- 9.22 These packages could include funding from a number of different sources, including additional Government funding, tax increment financing or local sources, such as workplace parking levies. This will help reduce the current additional funding requirement of some £3.2 billion a year on average (being the difference between the average annual spending need of £7.2 billion and likely level of resources of £4 billion) that will be needed from 2024-25 onwards (assuming no additional borrowing). It is also important for TfL to have certainty around future funding to enable it commit to long-term projects and the Mayor will be making the case to Government for confirmed capital funding to support investment as part of the Spending Review next year.
- 9.23 TfL's final draft CSP, and authorised and operating borrowing limits, are set out at Appendix D.

### **LLDC**

- 9.24 LLDC's detailed five-year CSP of £717 million over 2019-24, can be summarised, as follows:
- Construction and completion of the East Bank educational and cultural district in the Queen Elizabeth Olympic Park of £438 million;
  - Section 106 infrastructure works and planning and design costs to deliver housing developments of £107 million; and
  - Stadium, Park and venue life-cycle and improvement projects, including to the Stadium current seating system, of £57 million.

- 9.25 LLDC has no shortfall between its spending need and likely level of resource over the fifteen-year period from 2024-25. This is because, after allowing for the GLA direct capital grants to LLDC, it is anticipated that capital receipts will be received to repay the GLA's investment in LLDC. LLDC's final draft CSP, and authorised and operating borrowing limits, are set out at Appendix E.

### **OPDC**

- 9.26 In view of OPDC's revised plans for the development of its area, at this stage, no Capital Strategy or Capital Spending Plan can be approved.
-

# Greater London Authority: Mayor and London Assembly

**Table 1: GLA: Mayor - Subjective analysis**

Subjective analysis	Revised	Forecast	Budget	Plan	Plan	Plan
	Budget	Outturn		2021-22	2022-23	2023-24
	2019-20	2019-20	2020-21	£m	£m	£m
Staff costs	57.2	57.2	65.5	65.5	66.1	67.3
Premises costs	24.6	24.6	25.4	27.0	28.0	32.2
Supplies and services	378.5	348.9	529.3	500.5	466.4	440.2
Strategic Investment Fund	108.8	17.3	51.3	103.3	0.0	0.0
<i>Capital financing costs:</i>						
Financing costs - Crossrail	124.7	124.7	132.7	130.8	123.8	116.7
Financing costs - NLE	19.6	19.6	20.5	20.5	20.5	20.5
Financing costs - other	6.1	6.4	6.3	5.7	5.7	5.7
Provision for repayment of debt/ other grant payments - LLDC	12.8	12.8	11.8	11.8	11.8	11.8
<b>Total revenue expenditure</b>	<b>732.3</b>	<b>611.5</b>	<b>842.7</b>	<b>865.2</b>	<b>722.1</b>	<b>694.7</b>
Sales fees and charges	-16.4	-16.4	-52.2	-54.1	-44.7	-37.0
Rental income	-8.1	-8.1	-5.5	-5.5	-5.5	-5.5
Interest receipts	-13.7	-24.5	-17.4	-17.4	-17.4	-17.4
Crossrail BRS and MCIL	-124.7	-124.7	-132.7	-130.8	-123.8	-116.7
NLE contributions	-19.6	-19.6	-20.5	-20.5	-20.5	-20.5
Interest receipts GLAP loan	-9.9	-9.9	-9.9	-9.9	-9.9	-9.9
Adjustment for direct net GLAP expenditure	-19.6	-19.6	-18.4	-18.4	-18.4	-18.4
GLAP recharge	-5.3	-5.3	-6.4	-6.4	-6.4	-6.4
<b>Total Income</b>	<b>-217.3</b>	<b>-228.1</b>	<b>-262.9</b>	<b>-262.9</b>	<b>-246.5</b>	<b>-231.6</b>
<b>Net cost of services</b>	<b>515.0</b>	<b>383.4</b>	<b>579.8</b>	<b>602.2</b>	<b>475.6</b>	<b>463.1</b>
Transfer to/from (-) reserves held for GLA services	-61.9	-21.8	-6.3	-50.6	-27.7	-14.0
Transfer to/from (-) reserves held for GLA Group	-65.9	25.7	-51.3	-103.3	0.0	0.0
<b>Financing requirement</b>	<b>387.2</b>	<b>387.2</b>	<b>522.2</b>	<b>448.3</b>	<b>448.0</b>	<b>449.1</b>
Specific grants	192.0	192.0	317.6	311.0	311.0	311.0
Retained business rates	124.0	124.0	130.6	69.6	68.2	68.2
Council tax collection fund surplus	3.7	3.7	7.4	0.0	0.0	0.0
<b>Council tax requirement</b>	<b>67.6</b>	<b>67.6</b>	<b>66.6</b>	<b>67.7</b>	<b>68.8</b>	<b>69.9</b>

## GLA Group items

The table below 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 GLA: Mayor objective and subjective tables.

**Table 2: GLA: Mayor - GLA Group items**

GLA Group Items	Revised	Forecast	Budget	Plan	Plan	Plan
	Budget					
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<i>Group Initiatives</i>						
Group collaborative and responsible procurement	1.5	1.5	0.9	0.9	0.9	0.9
Borough income maximisation initiatives	3.5	3.5	6.0	5.0	5.0	5.0
Forecast council tax collection fund surplus not yet allocated by Mayor	0.0	0.0	0.0	12.2	12.2	12.2
<i>Functional Bodies</i>						
TfL expenditure funded from Group items	34.0	34.0	0.0	0.0	0.0	0.0
LLDC expenditure funded from Group items	17.5	17.5	4.9	1.0	0.0	0.0
OPDC expenditure funded from Group items	1.4	1.4	0.0	0.0	0.0	0.0
<i>MHCLG Payments</i>						
Tariff and business rates levy payments via business rates retention pool	0.0	0.0	905.6	0.0	0.0	0.0
<b>Total GLA Group item expenditure</b>	<b>57.9</b>	<b>57.9</b>	<b>917.4</b>	<b>19.1</b>	<b>18.1</b>	<b>18.1</b>
Transfer to/from (-) MDC reserve	-1.4	-1.4	-4.9	-1.0	0.0	0.0
Transfer to/from (-) BRR reserve	-53.0	-53.0	53.0	0.0	0.0	0.0
<b>Financing requirement</b>	<b>3.5</b>	<b>3.5</b>	<b>965.5</b>	<b>18.1</b>	<b>18.1</b>	<b>18.1</b>
Retained business rates	3.5	3.5	965.5	5.9	5.9	5.9
Council tax collection fund surplus	0.0	0.0	0.0	12.2	12.2	12.2
<b>Council tax requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

'BRR reserve' - Business Rates Retention reserve. 'MDC reserve' is the Mayoral Development Corporation reserve.

**Table 3: GLA: Assembly - Subjective analysis**

Subjective analysis	Revised	Forecast	Budget	Plan	Plan	Plan
	Budget	Outturn	2020-21	2021-22	2022-23	2023-24
	2019-20	2019-20		£m	£m	£m
Staff costs	6.4	6.4	6.5	6.6	6.8	6.9
Supplies and services	1.6	2.1	2.0	2.0	2.0	2.1
<b>Net revenue expenditure</b>	<b>8.0</b>	<b>8.5</b>	<b>8.4</b>	<b>8.6</b>	<b>8.8</b>	<b>9.0</b>
Transfer to/from (-) reserves	-0.2	-0.7	0.2	0.2	0.2	0.2
Savings to be identified	0.0	0.0	0.0	-0.5	-0.5	-0.8
<b>Financing requirement</b>	<b>7.8</b>	<b>7.8</b>	<b>8.6</b>	<b>8.2</b>	<b>8.4</b>	<b>8.4</b>
Retained business rates	5.2	5.2	5.9	5.5	5.6	5.6
<b>Council tax requirement</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>

**Table 4: GLA: Mayor - Final draft capital spending plan**

Final draft capital plan	Forecast	Budget	Plan	Plan	Plan
	Outturn		2021-22	2022-23	2023-24
	£m		£m	£m	£m
<i>Expenditure</i>					
Affordable Homes Programme (2016-22)	452.7	451.6	500.0	674.0	533.0
Cladding – Social sector	73.9	68.7	23.2	3.5	0.0
Cladding – Private sector	0.0	55.0	50.0	45.0	0.0
Housing Zone loans	73.4	56.4	0.0	0.0	0.0
Housing Zone grants	39.3	110.8	35.0	31.0	20.0
Care and Support Specialised Housing	30.1	24.2	0.0	0.0	0.0
Community Housing Fund	1.0	4.0	12.0	13.0	0.0
Move-On	12.9	15.7	17.2	2.1	0.0
Land and Property programme	28.6	22.2	6.1	5.2	5.0
Marginal Viability Fund	9.4	33.6	47.2	0.0	0.0
GLAP Land Fund	24.1	158.4	0.0	0.0	0.0
MHLG Land Fund	1.0	230.8	160.0	39.1	0.0
Enterprise Zone – Royal Docks	6.3	7.5	41.1	37.1	25.2
Further Education Capital	14.0	15.9	18.0	11.8	5.3
Skills for Londoners	10.4	13.5	15.1	24.9	11.1
Good Growth Fund	13.6	12.8	10.8	10.6	9.4
Northern Line Extension	205.0	127.0	0.0	0.0	0.0
Crossrail	994.0	41.0	0.0	0.0	0.0
LLDC Loan Funding	61.5	102.7	36.1	0.0	0.0
UCL Cultural and Education District	15.0	55.0	30.0	0.0	0.0
LLDC East Bank and Direct Grant Funding	17.6	75.8	91.1	11.3	7.4
LLDC Joint venture transfer to GLAP	0.2	3.9	11.2	11.7	22.4
Other Projects (< £10m p.a.)	28.0	26.2	19.4	13.1	7.0
<b>Total expenditure</b>	<b>2,112.0</b>	<b>1,713.0</b>	<b>1,123.5</b>	<b>933.5</b>	<b>645.8</b>
<i>Funding</i>					
Borrowing	1,172.3	230.0	59.4	28.5	7.1
Capital grants and third-party contributions	684.1	1,109.0	944.0	873.2	590.8
Capital receipts	55.1	184.5	18.2	18.9	30.6
Revenue contributions	200.5	189.5	101.9	12.9	17.3
<b>Total funding</b>	<b>2,112.0</b>	<b>1,713.0</b>	<b>1,123.5</b>	<b>933.5</b>	<b>645.8</b>

**Table 5: GLA: Mayor - Capital financing costs**

Capital financing costs	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
<b>GLA: Mayor</b>				
Provision for repayment of debt	11.8	11.8	11.8	11.8
External interest	159.5	157.0	150.0	142.9
<b>GLA: Mayor Total</b>	<b>171.3</b>	<b>168.8</b>	<b>161.8</b>	<b>154.7</b>

**Tables 6 and 7: GLA: Mayor - Borrowing limits**

Authorised limit for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>GLA: Mayor</b>						
Borrowing	6,100.0	6,100.0	6,100.0	6,100.0	6,100.0	6,100.0
<b>GLA: Mayor Total</b>	<b>6,100.0</b>	<b>6,100.0</b>	<b>6,100.0</b>	<b>6,100.0</b>	<b>6,100.0</b>	<b>6,100.0</b>

Operational boundary for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>GLA: Mayor</b>						
Borrowing	5,700.0	5,700.0	5,700.0	5,700.0	5,700.0	5,700.0
<b>GLA: Mayor Total</b>	<b>5,700.0</b>	<b>5,700.0</b>	<b>5,700.0</b>	<b>5,700.0</b>	<b>5,700.0</b>	<b>5,700.0</b>

From 2020-21, the GLA Group, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. To ensure compliance with IFRS 16, the operational and authorised borrowing limits will increase from the levels shown in the above tables. Updated borrowing limits will be published separately, once a detailed data gathering exercise has been completed, during the 2020-21 financial year.

## Mayor's Office for Policing and Crime

**Table 1: MOPAC (including MPS) - Subjective analysis**

Subjective analysis	Revised	Forecast	Budget	Plan	Plan	Plan
	Budget	Outturn				
	2019-20	2019-20	2020-21			
	£m	£m	£m	£m	£m	£m
Police officer pay	1,907.8	1,910.6	2,044.3	2,187.5	2,351.7	2,430.4
Police staff pay	526.9	526.0	542.7	550.4	560.0	571.6
PCSO pay	57.5	56.2	56.3	57.5	58.9	60.3
<b>Total pay</b>	<b>2,492.2</b>	<b>2,492.8</b>	<b>2,643.3</b>	<b>2,795.4</b>	<b>2,970.6</b>	<b>3,062.4</b>
Police officer overtime	101.3	139.1	115.2	99.6	100.6	101.1
Police staff overtime	21.7	31.0	21.7	21.7	21.6	21.6
PCSO overtime	0.1	0.2	0.1	0.1	0.1	0.1
<b>Total overtime</b>	<b>123.1</b>	<b>170.3</b>	<b>137.0</b>	<b>121.3</b>	<b>122.3</b>	<b>122.7</b>
Employee-related expenditure	16.2	25.0	15.0	14.6	14.6	14.6
Premises costs	162.5	161.6	193.2	166.6	145.5	132.8
Transport costs	65.4	73.6	70.6	70.9	70.9	70.9
Supplies and services	614.8	630.4	699.5	708.6	767.4	788.9
<b>Total running expenses</b>	<b>858.9</b>	<b>890.6</b>	<b>978.2</b>	<b>960.8</b>	<b>998.4</b>	<b>1,007.2</b>
Capital financing costs	77.0	69.5	92.5	254.0	171.0	123.7
<b>Total expenditure</b>	<b>3,551.2</b>	<b>3,623.2</b>	<b>3,850.9</b>	<b>4,131.5</b>	<b>4,262.4</b>	<b>4,316.0</b>
Other income	-271.2	-273.8	-270.0	-272.7	-276.9	-280.4
<b>Total income</b>	<b>-271.2</b>	<b>-273.8</b>	<b>-270.0</b>	<b>-272.7</b>	<b>-276.9</b>	<b>-280.4</b>
Discretionary pension costs	34.4	34.4	34.4	34.4	34.4	34.4
Savings to be identified	0.0	0.0	0.0	-293.0	-424.5	-455.3
<b>Net expenditure</b>	<b>3,314.4</b>	<b>3,383.8</b>	<b>3,615.3</b>	<b>3,600.1</b>	<b>3,595.4</b>	<b>3,614.7</b>
Transfer to/from (-) reserves	166.5	145.1	-51.9	-109.4	-76.5	-7.4
<b>Net financing requirement</b>	<b>3,481.0</b>	<b>3,528.9</b>	<b>3,563.3</b>	<b>3,490.7</b>	<b>3,518.9</b>	<b>3,607.2</b>
Specific grants	590.2	638.1	619.1	573.8	573.8	573.8
Retained business rates	220.0	220.0	118.7	35.9	36.1	95.4
CTax collection fund surplus	18.5	18.5	10.0	0.0	0.0	0.0
Home Office Police Grant	1,927.1	1,927.1	2,048.6	2,086.9	2,086.9	2,086.9
<b>Council tax requirement</b>	<b>725.2</b>	<b>725.2</b>	<b>767.1</b>	<b>794.2</b>	<b>822.2</b>	<b>851.2</b>

**Table 2: MOPAC (excluding MPS) Core and Programme Budget - Objective analysis**

Objective analysis	Final Budget 2019-20	Budget 2020-21	Plan	Plan	Plan
			2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
<b>Core Budget</b>					
Victims Services and Crime Prevention	45.0	41.2	42.4	42.7	42.9
Oversight and Accountability	6.8	7.6	7.8	7.9	7.9
Shared audit function	1.5	1.6	1.7	1.7	1.7
<b>Total MOPAC Core Budget</b>	<b>53.4</b>	<b>50.4</b>	<b>51.9</b>	<b>52.3</b>	<b>52.5</b>
Violence Reduction Unit	1.8	1.8	1.8	1.8	1.8
<b>Total Core Budget</b>	<b>55.2</b>	<b>52.2</b>	<b>53.7</b>	<b>54.1</b>	<b>54.3</b>
<b>One-Off Programmes</b>					
Better criminal justice services	0.5	0.0	0.0	0.0	0.0
Better police force	0.5	0.0	0.0	0.0	0.0
Children and young people	3.6	3.8	0.0	0.0	0.0
Standing together against violence and hatred	0.3	0.3	0.0	0.0	0.0
Tackling violence against women and girls	7.9	5.9	5.3	0.2	0.0
<b>Total MOPAC One-Off Programmes</b>	<b>12.8</b>	<b>9.9</b>	<b>5.3</b>	<b>0.2</b>	<b>0.0</b>
Violence Reduction Unit: one-off programmes	13.0	10.7	0.5	0.0	0.0
New violence reduction initiatives	0.0	30.5	0.0	0.0	0.0
<b>Total One-Off Programmes</b>	<b>25.8</b>	<b>51.1</b>	<b>5.8</b>	<b>0.2</b>	<b>0.0</b>

**Table 3: MOPAC - Final draft capital plan**

Final draft capital plan	Forecast Outturn	Budget	Plan	Plan	Plan
		2019-20	2020-21	2021-22	2022-23
		£m	£m	£m	£m
<i>Expenditure</i>					
PSD - Lifecycle work	13.1	13.8	15.4	34.3	34.0
Fleet	33.7	28.4	22.9	27.9	19.8
Digital Policing	54.2	32.7	27.7	32.7	44.7
NCTPHQ	31.1	33.0	27.4	25.0	25.0
Optimising Contact and Response	4.2	59.8	40.0	8.4	8.7
Transforming Investigation and Prosecution	46.3	43.2	31.9	16.0	1.5
Strengthening Armed Policing	0.3	2.4	1.2	21.0	0.0
Smarter Working	6.0	0.4	0.0	0.0	0.0
Learning and Professionalism Transformation	0.4	1.2	1.3	0.1	0.0
Information Futures	0.8	8.6	3.3	0.0	0.0
PSD - Property Forward Works	24.9	54.2	44.4	29.5	84.8
PSD - Transforming the MPS Estate	59.3	133.5	70.8	98.9	79.5
Met Operations	0.0	3.3	0.0	0.0	0.0
Transformation – long term estimate	0.0	0.0	0.0	0.0	11.0
Reduction in central government grant	0.0	-9.1	-9.1	-9.1	-9.1
<b>Total expenditure</b>	<b>274.3</b>	<b>405.6</b>	<b>277.3</b>	<b>284.6</b>	<b>299.9</b>
<i>Funding</i>					
Capital Receipts	23.6	88.0	31.1	65.7	55.9
Capital grants and other contributions	52.5	45.6	35.6	34.1	35.4
Borrowing	198.2	272.0	210.5	184.8	208.5
<b>Total funding</b>	<b>274.3</b>	<b>405.6</b>	<b>277.3</b>	<b>284.6</b>	<b>299.9</b>

PSD – Property Services Directorate

NCTPHQ – National Counter Terrorism Policing Headquarters

**Table 4: MOPAC - Capital financing costs**

Capital financing costs	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
Provision for repayment of debt	45.7	61.0	73.5	80.4
External interest	28.0	34.6	38.3	40.6
<b>MOPAC Total</b>	<b>73.8</b>	<b>95.5</b>	<b>111.8</b>	<b>121.0</b>

**Tables 5 and 6: MOPAC - Borrowing limits**

Authorised limit for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>MOPAC</b>						
Borrowing	945.2	879.1	1,151.1	1,361.6	1,546.4	1,754.9
Long term liabilities	71.0	73.3	64.9	58.4	52.2	47.3
<b>MOPAC Total</b>	<b>1,016.2</b>	<b>852.4</b>	<b>1,216.0</b>	<b>1,419.9</b>	<b>1,598.6</b>	<b>1,802.2</b>

Operational boundary for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>MOPAC</b>						
Borrowing	820.2	754.1	1,026.1	1,236.6	1,421.4	1,629.9
Long term liabilities	71.0	73.3	64.9	58.4	52.2	47.3
<b>MOPAC Total</b>	<b>891.2</b>	<b>827.4</b>	<b>1,091.0</b>	<b>1,294.9</b>	<b>1,473.6</b>	<b>1,677.2</b>

From 2020-21, the GLA Group, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. To ensure compliance with IFRS 16, the operational and authorised borrowing limits will increase from the levels shown in the above tables. Updated borrowing limits will be published separately, once a detailed data gathering exercise has been completed, during the 2020-21 financial year.

# London Fire Commissioner

**Table 1: LFC - Subjective analysis**

Subjective analysis	Revised	Forecast	Budget	Plan	Plan	Plan
	Budget	Outturn				
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Operational staff	270.1	269.0	278.8	284.4	291.1	296.3
Other staff	59.8	58.9	62.8	63.9	63.2	64.2
Employee-related	22.1	22.9	22.3	22.0	22.2	22.4
Pensions	20.8	21.0	24.4	25.4	25.8	27.0
Premises	39.6	40.7	39.6	40.9	42.0	43.3
Transport	18.0	17.8	18.3	17.8	18.1	18.1
Supplies and services	29.7	31.4	31.0	29.7	29.7	28.6
Third party payments	2.1	2.2	1.3	1.3	1.2	1.3
Capital financing costs	9.8	9.4	11.3	12.4	12.4	12.4
Central contingency against inflation	0.1	0.0	-0.2	-0.2	-0.3	-0.3
Savings to be identified	0.0	0.0	0.0	-7.7	-34.8	-34.0
<b>Total expenditure</b>	<b>472.0</b>	<b>473.1</b>	<b>489.5</b>	<b>490.0</b>	<b>470.6</b>	<b>479.2</b>
Total income	-40.4	-42.4	-39.8	-41.4	-42.8	-44.3
<b>Net expenditure</b>	<b>431.6</b>	<b>430.6</b>	<b>449.7</b>	<b>448.6</b>	<b>427.8</b>	<b>434.9</b>
Transfer to/from (-) reserves	-3.9	-2.9	-15.0	-30.3	-1.8	-0.8
<b>Financing requirement</b>	<b>427.7</b>	<b>427.7</b>	<b>434.7</b>	<b>418.3</b>	<b>426.1</b>	<b>434.1</b>
Specific grants	35.4	35.4	33.2	11.5	11.5	11.5
Retained business rates	233.2	233.2	232.9	230.7	230.7	230.7
<b>Council tax requirement</b>	<b>159.2</b>	<b>159.2</b>	<b>168.6</b>	<b>176.1</b>	<b>183.8</b>	<b>191.9</b>

**Table 2: LFC - Final draft capital plan**

Final draft capital plan	Forecast Outturn 2019-20	Budget	Plan	Plan	Plan
		2020-21	2021-22	2022-23	2023-24
		£m	£m	£m	£m
<i>Expenditure</i>					
IT projects	2.6	3.6	5.3	5.3	6.5
Major refurbishments	0.5	0.3	0.2	1.5	2.5
New developments	5.1	7.6	19.6	3.8	0.0
Minor works	3.1	3.4	5.6	3.2	3.8
Sustainability works	1.2	2.4	2.7	2.7	2.3
Appliance bay doors	0.6	0.6	0.6	0.4	0.4
Fire Brigade fleet re-procurement	20.1	19.5	17.8	2.3	2.8
<b>Total expenditure</b>	<b>33.2</b>	<b>37.4</b>	<b>51.9</b>	<b>19.1</b>	<b>18.3</b>
<i>Funding</i>					
Capital receipts	33.0	35.3	13.2	19.1	3.9
Capital grants	0.2	2.1	0.0	0.0	0.0
Borrowing	0.0	0.0	38.7	0.0	14.4
<b>Total funding</b>	<b>33.2</b>	<b>37.4</b>	<b>51.9</b>	<b>19.1</b>	<b>18.3</b>

**Table 3: LFC - Capital financing costs**

Capital financing costs	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
<b>LFC</b>				
Provision for repayment of debt	7.1	8.2	8.2	8.2
External interest	3.6	3.5	3.5	3.5
<b>LFC Total</b>	<b>10.7</b>	<b>11.8</b>	<b>11.8</b>	<b>11.8</b>

**Tables 4 and 5: LFC - Borrowing limits**

Authorised limit for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>LFC</b>						
Borrowing	155.0	155.0	155.0	175.0	175.0	175.0
Long term liabilities	70.0	70.0	70.0	70.0	70.0	70.0
<b>LFC Total</b>	<b>225.0</b>	<b>225.0</b>	<b>225.0</b>	<b>245.0</b>	<b>245.0</b>	<b>245.0</b>

Operational boundary for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>LFC</b>						
Borrowing	150.0	150.0	150.0	170.0	170.0	170.0
Long term liabilities	70.0	70.0	70.0	70.0	70.0	70.0
<b>LFC Total</b>	<b>220.0</b>	<b>220.0</b>	<b>220.0</b>	<b>240.0</b>	<b>240.0</b>	<b>240.0</b>

From 2020-21, the GLA Group, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. To ensure compliance with IFRS 16, the operational and authorised borrowing limits will increase from the levels shown in the above tables. Updated borrowing limits will be published separately, once a detailed data gathering exercise has been completed, during the 2020-21 financial year.

# Transport for London

**Table 1: TfL - Subjective analysis**

Subjective analysis	Revised	Forecast	Budget	Plan	Plan	Plan				
	Budget	Outturn	2020-21	2021-22	2022-23	2023-24				
	2019-20	2019-20								
<i>Income</i>										
Passenger income	-4,855.5	-4,970.4	-5,123.5	-5,412.1	-5,965.9	-6,413.5				
Congestion charging	-221.1	-261.0	-255.0	-311.5	-371.6	-362.3				
Media income	-153.7	-153.5	-159.8	-161.4	-170.0	-181.3				
Rental income	-96.2	-96.2	-115.0	-133.5	-146.7	-159.8				
Elizabeth line regulatory income	-29.8	0.0	-26.7	-190.1	-391.4	-404.0				
Other income	-549.2	-495.9	-488.3	-559.4	-519.3	-610.3				
<b>Total Income</b>	<b>-5,905.5</b>	<b>-5,976.9</b>	<b>-6,168.2</b>	<b>-6,767.8</b>	<b>-7,564.9</b>	<b>-8,131.2</b>				
<i>Operating Expenditure</i>										
Employee expenses	2,184.4	1,974.4	2,156.0	2,172.9	2,254.4	2,241.0				
Premises	305.1	288.7	297.3	327.5	347.2	356.0				
Bus contract payments	2,020.3	2,056.8	2,063.5	2,112.3	2,153.8	2,212.0				
CCS Income & other road contracted services	377.9	301.8	349.9	330.6	333.3	318.3				
Asset maintenance and LA payments	556.1	479.9	577.1	538.1	553.9	553.5				
Professional and consultancy	145.9	139.8	121.6	121.4	121.7	119.7				
Franchise payments	511.5	499.9	512.7	544.8	585.2	613.7				
Elizabeth line regulatory	29.8	0.0	26.7	190.1	391.4	404.0				
ICT	242.8	229.8	202.9	187.2	187.8	193.9				
Traction current	136.3	133.6	151.2	171.9	188.2	209.9				
Other operating expenses	486.2	544.6	405.2	620.0	409.8	566.4				
Capital resources and other recharges	-317.6	-295.5	-335.3	-390.1	-402.7	-409.2				
Bad debt provision	101.1	99.0	90.3	137.4	125.5	112.7				
<b>Total operating expenditure</b>	<b>6,779.8</b>	<b>6,452.8</b>	<b>6,619.1</b>	<b>7,064.3</b>	<b>7,249.3</b>	<b>7,491.9</b>				
<b>Net operating expenditure</b>	<b>874.3</b>	<b>475.9</b>	<b>450.9</b>	<b>296.4</b>	<b>-315.6</b>	<b>-639.4</b>				
Group items	473.7	451.7	487.1	551.4	571.8	568.2				
Revenue resources used to support capital investment	0.0	174.0	42.0	148.9	758.3	1,004.0				
<b>Financing requirement</b>	<b>1,348.0</b>	<b>1,101.6</b>	<b>980.1</b>	<b>996.7</b>	<b>1,014.6</b>	<b>932.8</b>				

Subjective analysis	Revised	Forecast	Budget	Plan	Plan	Plan
	Budget	Outturn				
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
Specific grants	105.0	107.3	5.0	5.2	5.3	5.4
Retained business rates	1,237.0	988.3	969.0	985.6	1,003.3	921.4
<b>Council tax requirement</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

CCS - Congestion charging scheme.

**Table 2 TfL - Final draft capital plan**

Final draft capital plan	Forecast	Budget	Plan	Plan	Plan
	Outturn				
	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
<i>Expenditure</i>					
Crossrail contributions	1,054.8	625.6	0.0	0.0	0.0
Elizabeth line trains and enabling works	25.5	41.8	0.0	0.0	0.0
Line extensions	214.0	163.3	95.7	14.9	20.0
Line upgrades	353.8	405.7	489.4	587.8	700.9
London Underground enhancements	157.2	153.0	103.9	53.2	70.5
Buses enhancements	12.5	3.4	0.0	0.0	0.0
Streets enhancements	138.4	290.5	224.3	302.6	184.7
Rail enhancements	51.2	39.9	15.8	19.8	25.2
Other surface operations enhancements	35.5	68.5	22.2	0.3	4.0
Corporate projects enhancements	210.2	379.7	336.5	227.2	193.2
Renewals	479.9	535.2	664.7	699.6	707.2
<b>Total expenditure</b>	<b>2,732.9</b>	<b>2,706.7</b>	<b>1,952.6</b>	<b>1,905.5</b>	<b>1,905.8</b>
<i>Funding</i>					
Capital receipts	181.6	171.8	134.8	201.6	220.9
Retained business rates	893.0	910.0	930.2	950.8	1,071.8
Grants to support capital expenditure	208.1	172.5	5.3	7.4	12.6
Borrowing	545.1	1,351.8	445.9	433.6	-108.8
Crossrail funding sources – non-OSD	944.5	83.0	5.0	4.0	0.0
Crossrail funding sources – OSD	85.3	29.4	65.1	34.6	0.0
Revenue contributions	174.0	42.0	148.9	758.3	1,004.0
Working capital and reserves movements	-298.7	-53.9	217.3	-484.8	-294.7
<b>Total funding</b>	<b>2,732.9</b>	<b>2,706.7</b>	<b>1,952.6</b>	<b>1,905.5</b>	<b>1,905.8</b>

OSD - Over Station Development

**Table 3: TfL - Capital financing costs**

Capital financing costs	2020-21 £m	2021-22 £m	2022-23 £m	2023-24 £m
<b>TfL</b>				
Provision for repayment of debt	26.3	26.3	26.3	26.3
External interest	495.4	556.1	575.4	568.2
<b>TfL Total</b>	<b>521.7</b>	<b>582.4</b>	<b>601.7</b>	<b>594.5</b>

**Tables 4 and 5: TfL - Borrowing limits**

Authorised limit for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>TfL</b>						
Borrowing	13,494.0	13,449.3	14,029.3	14,529.3	15,029.3	15,026.6
Long term liabilities	409.4	408.7	415.8	389.3	363.1	313.9
<b>TfL Total</b>	<b>13,903.4</b>	<b>13,858.0</b>	<b>14,445.1</b>	<b>14,918.6</b>	<b>15,392.4</b>	<b>15,340.5</b>

Operational boundary for external debt	Current Approval	Revised Approval	Proposed	Proposed	Proposed	Proposed
	2019-20	2019-20	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m	£m
<b>TfL</b>						
Borrowing	12,113.00	11,812.27	11,812.27	11,812.27	11,812.27	11,812.27
Long term liabilities	460.4	639.7	639.7	639.7	639.7	639.7
<b>TfL Total</b>	<b>12,573.4</b>	<b>12,452.0</b>	<b>12,452.0</b>	<b>12,452.0</b>	<b>12,452.0</b>	<b>12,452.0</b>

From 2020-21, the GLA Group, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. To ensure compliance with IFRS 16, the operational and authorised borrowing limits will increase from the levels shown in the above tables. Updated borrowing limits will be published separately, once a detailed data gathering exercise has been completed, during the 2020-21 financial year.

# London Legacy Development Corporation

**Table 1: LLDC - Subjective analysis**

**Table 2: LLDC - Final draft capital spending plan**

Final draft capital plan	Forecast	Budget	Plan	Plan	Plan
	Outturn		2021-22	2022-23	2023-24
	2019-20	2020-21	£m	£m	£m
<i>Expenditure</i>					
East Bank	83.7	195.3	142.5	13.5	2.5
Development	26.0	20.5	17.6	30.4	12.2
Stadium	12.1	14.5	3.5	2.9	2.9
Park and Venues	5.7	7.4	2.7	3.8	1.9
Regeneration	0.3	0.5	0.4	0.1	0.2
Finance, Commercial and Corporate Services	3.0	1.9	1.6	1.5	1.4
Corporation Tax and Contingency	7.2	4.0	2.8	2.9	3.5
BBC/UAL loan*	0.0	35.0	42.5	2.1	-3.4
Other	7.9	0.0	0.0	0.0	0.0
<b>Total expenditure</b>	<b>145.9</b>	<b>279.1</b>	<b>213.6</b>	<b>57.2</b>	<b>21.2</b>
<i>Funding</i>					
Capital receipts	30.7	26.0	39.8	33.0	6.4
Capital grants and third-party contributions	36.1	74.6	46.6	14.9	13.1
Borrowing	61.5	102.7	36.1	-2.0	-5.7
GLA grant	17.6	75.8	91.1	11.3	7.4
<b>Total funding</b>	<b>145.9</b>	<b>279.1</b>	<b>213.6</b>	<b>57.2</b>	<b>21.2</b>

\*Cash timing adjustments for BBC and UAL (University of the Arts London) loans

**Table 3: LLDC - Capital financing costs**

Capital financing costs	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
<b>LLDC</b>				
External interest	13.0	15.1	15.6	15.5
<b>LLDC Total</b>	<b>13.0</b>	<b>15.1</b>	<b>15.6</b>	<b>15.5</b>

**Tables 4 and 5: LLDC - Borrowing limits**

Authorised limit for external debt	Current	Revised	Proposed	Proposed	Proposed	Proposed
	Approval	Approval	2020-21	2021-22	2022-23	2023-24
	2019-20	2019-20	£m	£m	£m	£m
<b>LLDC</b>						
Borrowing	500.0	500.0	520.0	520.0	520.0	520.0
<b>LLDC Total</b>	<b>500.0</b>	<b>500.0</b>	<b>520.0</b>	<b>520.0</b>	<b>520.0</b>	<b>520.0</b>

Operational boundary for external debt	Current	Revised	Proposed	Proposed	Proposed	Proposed
	Approval	Approval	2020-21	2021-22	2022-23	2023-24
	2019-20	2019-20	£m	£m	£m	£m
<b>LLDC</b>						
Borrowing	490.0	490.0	520.0	520.0	520.0	520.0
<b>LLDC Total</b>	<b>490.0</b>	<b>490.0</b>	<b>520.0</b>	<b>520.0</b>	<b>520.0</b>	<b>520.0</b>

From 2020-21, the GLA Group, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. To ensure compliance with IFRS 16, the operational and authorised borrowing limits will increase from the levels shown in the above tables. Updated borrowing limits will be published separately, once a detailed data gathering exercise has been completed, during the 2020-21 financial year.

# Old Oak and Park Royal Development Corporation

**Table 1: OPDC - Subjective analysis**

# GLA Group Savings and Collaboration

## Shared services and collaboration across the GLA Group and with external partners

The GLA has set a clear strategic direction for all organisations in the GLA Group – delivering efficiency and value through collaboration. Currently, 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.

In order to identify and deliver further efficiencies across the GLA Group back office functions, there is a collaboration programme overseen by the GLA Group Collaboration Board. The Board has senior executive representatives from across the GLA Group and; also, from the London Ambulance Service and London Councils. At present the Board oversees, and gives strategic direction, to the following Working Groups: Information Technology; Estate and Facilities Management; Procurement; Human Resources; and Finance and other Professional Services.

Current initiatives include developing a Group-wide longer-term accommodation strategy and establishing a central executive search team for senior staff and board appointments. Also, as part of its Chief Officer's transformation programme, the GLA is considering the feasibility and benefits of the potential delivery of GLA HR and IT services through shared service arrangements with TfL. The GLA currently provides a range of these services to both itself and to other GLA Group members.

## 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£4 billion of investments and c£5.5 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.

## The GLA Group collaborative procurement function

The GLA Group Collaborative Procurement Team (CPT) manages the common and low complexity procurement expenditure on indirect categories (i.e. goods and services purchased for internal use) for the GLA and its functional bodies. Since 2015-16, there has been a 23 per cent reduction in spend on indirect categories, a 36 per cent reduction across those categories managed by CPT and an 8 per cent reduction across categories currently outside of its scope. Work is currently underway to expand the scope of the CPT.

## Business rates and council tax maximisation programmes

The GLA seeks to maximise income from council tax and business rates revenues – including the Crossrail business rate supplement – in partnership with the 33 local billing authorities which collectively are expected to generate over £3.7 billion of revenues for services across the GLA Group in 2020-21. The Mayor has approved support to property inspection work and related activities in order to maximise the accuracy of the council tax and business rates valuation list up to March 2020 and it is intended that this support will continue in 2020-21 and beyond. All 33 London billing authorities are eligible for funding from the GLA for this work.

Separate projects are also in place with a number of billing authorities to support work to tackle arrears and ensure that properties incorrectly excluded from local rating lists are reported to the Valuation Office Agency (VOA).

The estimated £6.0 million cost of these projects in 2020-21 - which has been increased compared to 2019-20 to address the financial risks associated with the planned reforms to the business rates retention system and the business rates revaluation expected in April 2021 - is expected to be recovered many times over in terms of the additional business rates and council tax income generated. This initiative demonstrates the GLA's commitment to working with boroughs and the Corporation of London for London's benefit, as around £14 billion is expected to be collected in 2020-21, in council tax, non-domestic rates and through the Crossrail business rates supplement across 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, LFC, 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 2020-21, LLDC;
- **GLA Committee Services:** The GLA provides a full committee support service for the boards and committees of LFC, TfL, LLDC and OPDC; and
- **LFC Accommodation:** LFC shares part of its Union Street office space with the London Pensions Fund Authority, the GLA and OPDC.

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.

## Savings and efficiencies across the GLA Group

The total savings and efficiencies to 2023-24 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.

<b>Savings and efficiencies</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA: Mayor	7.3	2.0	2.0	2.0
GLA: London Assembly	0.0	0.0	0.0	0.0
MOPAC	2.9	50.2	28.0	0.0
LFC	3.4	-0.3	1.7	0.8
TfL	133.4	89.8	121.4	86.5
LLDC	2.0	6.6	0.9	-0.3
OPDC	3.1	0.0	0.0	0.0
<b>Total</b>	<b>152.1</b>	<b>148.3</b>	<b>154.0</b>	<b>89.0</b>

The table below sets out the savings to be identified within the budgets of each of the GLA Group functional bodies. The figures reflect the additional savings, or alternatively income, required in order to balance the budget in each year of the period, based on current planning assumptions.

<b>Savings to be identified</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA: Mayor	0.0	0.0	0.0	0.0
GLA: London Assembly	0.0	0.5	0.5	0.8
MOPAC	0.0	293.0	424.5	455.3
LFC	0.0	7.7	34.8	34.0
TfL	0.0	0.0	0.0	0.0
LLDC	0.0	2.1	1.8	1.8
OPDC	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>303.4</b>	<b>461.6</b>	<b>492.0</b>

## 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 2020-21.

	Gross expenditure	Fares income	Other General income	Net Expenditure before use of reserves	Use of Reserves	Net Expenditure after use of reserves
	£m	£m	£m	£m	£m	£m
<b>MOPAC</b>	<b>3,885.3</b>	<b>0.0</b>	<b>-270.0</b>	<b>3,615.3</b>	<b>-51.9</b>	<b>3,563.3</b>
GLA: Mayor	842.7	0.0	-262.9	588.6	-57.6	522.2
GLA: Assembly	8.4	0.0	0.0	8.4	0.2	8.6
LFC	489.5	0.0	-39.8	449.7	-15.0	434.7
TfL	7,148.3	-5,123.5	-1,044.7	980.1	0.0	980.1
LLDC	65.7	0.0	-28.2	37.5	-4.9	32.6
OPDC	8.6	0.0	-0.8	7.8	0.0	7.8
Group items	917.4	0.0	0.0	917.4	48.1	965.5
<b>Total other services</b>	<b>9,480.6</b>	<b>-5,123.5</b>	<b>-1,376.5</b>	<b>2,980.7</b>	<b>-29.2</b>	<b>2,951.5</b>
<b>Total GLA Group</b>	<b>13,365.9</b>	<b>-5,123.5</b>	<b>-1,646.5</b>	<b>6,595.9</b>	<b>-81.1</b>	<b>6,514.8</b>

### Council tax requirement and Band D council tax

	Net Expenditure after use of reserves	Specific Government grants	General Government grants	Council tax surplus	Business rates	Council tax requirement	Band D amount
	£m	£m	£m	£m	£m	£m	£
<b>MOPAC</b>	<b>3,563.3</b>	<b>619.1</b>	<b>2,048.6</b>	<b>10.0</b>	<b>118.7</b>	<b>767.1</b>	<b>252.13</b>
GLA Mayor	522.2	317.6	0.0	7.4	130.6	66.6	21.83
GLA Assembly	8.6	0.0	0.0	0.0	5.9	2.6	0.86
LFC	434.7	33.2	0.0	0.0	232.9	168.6	55.28
TfL	980.1	5.0	0.0	0.0	969.0	6.0	1.97
LLDC	32.6	0.0	0.0	0.0	32.6	0.0	0.00
OPDC	7.8	0.0	0.0	0.0	7.8	0.0	0.00
Group items	965.5	0.0	0.0	0.0	965.5	0.0	0.00
<b>Total other services</b>	<b>2,951.5</b>	<b>355.9</b>	<b>0.0</b>	<b>7.4</b>	<b>2,344.3</b>	<b>243.8</b>	<b>79.94</b>
<b>Total GLA Group</b>	<b>6,514.8</b>	<b>975.0</b>	<b>2,048.6</b>	<b>17.4</b>	<b>2,463.0</b>	<b>1,010.9</b>	<b>332.07</b>

### 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 (principally Home Office police grant) and specific grants (including, for example, Home Office police funding for counter-terrorism and fire revenue grants);
- 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	Plan	Plan	Plan
	2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m
GLA Mayor	522.2	448.3	453.9	455.0
GLA Assembly	8.6	8.2	8.4	8.4
MOPAC	3,563.3	3,490.7	3,518.9	3,607.2
LFC	434.7	418.3	426.1	434.1
TfL	980.1	996.7	1,014.6	932.8
LLDC	32.6	27.3	27.1	26.8
OPDC	7.8	7.8	7.8	7.8
Group items	965.5	18.1	5.9	5.9
<b>Net revenue expenditure</b>	<b>6,514.8</b>	<b>5,415.4</b>	<b>5,456.6</b>	<b>5,471.9</b>

Group items includes estimate of tariff and levy payments for 2020-21 only. Estimates for future years are not included at this stage, as business rates retention reforms are expected to be implemented from 2021-22 onwards.

### Retained business rates funding

The table below sets out the final allocation of retained business rates by the Mayor for services (including TfL's capital allocation) across the GLA Group 2020-21, reflecting current assumptions on the financial impact of London's expected 67 per cent business rates retention pool. It includes separately the estimated £905.6 million in tariff and levy payments the GLA make to the Government through the London pool to support services elsewhere in England which forms part of the GLA: Mayor component budget. Appendix I outlines the assumptions made in more detail for 2020-21 and subsequent years, having regard to the uncertainty associated with the structure of the business rates retention system from April 2021 onwards.

The allocations for 2020-21 below take into account the forecasts submitted by the 33 London billing authorities at the end of January 2020 adjusted to reflect the distribution mechanism agreed between the GLA and the 33 London billing authorities for the pool and include estimated receipts from MHCLG in section 31 grant relating to Government funded rates reliefs. In the short term the GLA could manage any volatility arising from these forecasts through the GLA's business rates reserve.

### **Proposed allocation of retained business rates related income in 2020-21**

	GLA Mayor	GLA Assembly	TfL	LFC	MOPAC	LLDC	OPDC	Group items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total funding allocated to GLA and functional bodies for revenue services	130.6	5.9	969.0	232.9	118.7	32.6	7.8	59.9	1,557.4
Total funding allocated to GLA and functional bodies for capital spending	0.0	0.0	910.0	0.0	0.0	0.0	0.0	0.0	910.0
Total tariff/levy payment to MHCLG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	905.6	905.6
<b>Total</b>	<b>130.6</b>	<b>5.9</b>	<b>1,879.0</b>	<b>232.9</b>	<b>118.7</b>	<b>32.6</b>	<b>7.8</b>	<b>965.5</b>	<b>3,373.0</b>

### **Council tax calculations**

The difference between net revenue expenditure and the sum of grant funding from the Government and retained business rates from the Mayor represents the amount to be raised from council tax. As outlined in Section 1, 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 council tax calculations in this budget also take account of the assumed £17.4 million collection fund surplus in respect of council tax for 2019-20 which will be paid over by billing authorities through an adjustment to their 2020-21 precept instalments to the GLA.

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	Revised Budget 2019-20	Budget	Plan	Plan	Plan
		2020-21	2021-22	2022-23	2023-24
	£m	£m	£m	£m	£m
Net financing requirement	3,528.9	3,563.3	3,490.7	3,518.9	3,607.2
Government grants, council tax surplus and retained business rates	-2,803.7	-2,796.3	-2,696.5	-2,696.8	-2,756.1
<b>Amount for police services</b>	<b>725.2</b>	<b>767.1</b>	<b>794.2</b>	<b>822.2</b>	<b>851.2</b>

This is equivalent to a Band D element for police services only of £252.13 for 2020-21 in the 32 London boroughs (£242.13 for 2019-20).

### Council tax requirement for other services

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

<b>Council tax requirement for other services</b>	<b>Revised Budget 2019-20</b>	<b>Budget 2020-21</b>	<b>Plan 2021-22</b>	<b>Plan 2022-23</b>	<b>Plan 2023-24</b>
		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA, LFC, LLDC, OPDC, TfL net expenditure and group items	1,988.3	2,951.5	1,924.8	1,943.7	1,870.7
Government grants, ctax surplus, retained business rates and use of MDC reserve	-1,753.0	-2,707.7	-1,672.3	-1,682.4	-1,600.2
<b>Amount for other services</b>	<b>235.4</b>	<b>243.8</b>	<b>252.5</b>	<b>261.4</b>	<b>270.5</b>

This is equivalent to a Band D element for other services of £79.94 for 2020-21 in the 32 London boroughs (£78.38 for 2019-20). In the City of London this is the full Band D council tax amount for GLA services. The additional income generated as a result of increasing the Band D charge will be allocated to the London Fire Commissioner.

### Summary of proposed adjusted and unadjusted council tax by Band

The proposed adjusted basic amount of council tax is therefore £332.07 for a Band D property (i.e. £252.13 for the Mayor's Office of Policing and Crime plus £79.94 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 (£)

<b>Band</b>	<b>2020-21</b>	<b>2019-20</b>	<b>Change</b>
Band A	£221.38	£213.67	£7.71
Band B	£258.28	£249.29	£8.99
Band C	£295.17	£284.90	£10.27
<b>Band D</b>	<b>£332.07</b>	<b>£320.51</b>	<b>£11.56</b>
Band E	£405.86	£391.73	£14.13
Band F	£479.66	£462.96	£16.70
Band G	£553.45	£534.18	£19.27
Band H	£664.14	£641.02	£23.12

The proposed unadjusted basic amount of council tax is £79.94 – this is the specific sum paid by Band D council tax payers in the City of London. Council tax payers in the City of London, which is outside the Metropolitan Police District, contribute towards the costs of the City of London Police.

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

<b>Band</b>	<b>2020-21</b>	<b>2019-20</b>	<b>Change</b>
Band A	£53.29	£52.25	£1.04
Band B	£62.17	£60.96	£1.21
Band C	£71.06	£69.67	£1.39
<b>Band D</b>	<b>£79.94</b>	<b>£78.38</b>	<b>£1.56</b>
Band E	£97.70	£95.80	£1.90
Band F	£115.47	£113.22	£2.25
Band G	£133.23	£130.63	£2.60
Band H	£159.88	£156.76	£3.12

**Council tax referendum thresholds**

Alongside the final local government finance settlement, the Government published 'The Referendums Relating to Council Tax Increases (Principles) (England) Report 2020-21', setting out the council tax referendum thresholds for 2020-21 on 6 February. This will not be approved by the House of Commons before 24 February 2020 but is not expected to change. The report confirmed that the GLA would be required to hold a referendum if the increase in the adjusted basic amount (i.e. the Band D council tax including the policing element) was more than £11.56 or the increase in the unadjusted precept (i.e. the Band D council tax excluding policing) was 2 per cent or more.

The adjusted relevant basic amount of council tax for 2020-21 is £11.56 higher than the amount for 2019-20, therefore the adjusted amount of council tax proposed for 2020-21 does not meet the definition of 'excessive' in the principles set by the Secretary of State. The unadjusted relevant basic amount of council tax for 2020-21 is £1.56 (1.99 per cent) higher than the amount for 2019-20, therefore the unadjusted amount of council tax proposed for 2019-20 similarly does not meet the definition of 'excessive' in the principles set by the Secretary of State.

The council tax levels proposed in this budget by the Mayor would therefore not trigger a council tax referendum in the 32 London boroughs or in the area of the Common Council of the City of London.

# Funding Assumptions

## Introduction

This Appendix sets out the assumptions underpinning the main funding sources for the 2020-21 budget, including the impact of the final settlements for both local government and fire services, and policing and the impact of the council tax and business rates estimates submitted by the 33 billing authorities at the end of January 2020. It also highlights the lack of certainty for the years beyond 2020-21 ahead of the multi-year spending review, due to take place in 2020 and the implementation of the local government fair funding review and business rates retention system reforms including the resetting of business rates growth expected from 2021-22 onwards.

## 2020-21 Local Government and Fire Finance Settlements

The provisional 2020-21 local government finance and fire settlement was published on 20 December 2019 and was subject to a four-week consultation process which ended on 17 January 2020. The provisional settlement was delayed until after the general election; as a result, the Government has failed in both 2018 and 2019 to meet the recommendation the Hudson review of governance and processes to publish the provisional settlement on or around 5 December.

Allocations were confirmed by the Government in the final local government finance settlement which was published on 6 February. The final local government finance report will not however, be approved before 24 February when the House of Commons returns from its parliamentary recess. This means this budget has had to be prepared on the basis of provisional estimates pending approval of the settlement by Parliament.

The final local government settlement made no substantive changes from the provisional settlement and confirmed baseline funding levels for the GLA in the rates retention system will increase by 1.63 per cent in 2020-21, compared to 2019-20 levels, in line with the change in the small business rates multiplier which moves broadly in line with the CPI level of inflation from the September preceding the financial year. All former fire and rescue, GLA general funding and TfL's former DfT operating and investment grants, together with MOPAC's share of prior year council tax freeze grants, will continue to be provided through the GLA's retained business rates funding baseline in 2020-21. The Mayor has also allocated additional retained business rates income to fund policing, significantly above the baseline level set out in the Government's funding settlement.

## 2020-21 Home Office Police Grant Settlement

The Home Office wrote to the Chair of the National Police Chiefs' Council and the Chair of the Association of Police and Crime Commissioners on 19 November 2019 confirming that the provisional police settlement would not be announced until January 2020.

On 22 January 2020 the Minister for Policing and the Fire Service, Kit Malthouse MP, made a written ministerial statement to the House of Commons setting out details of police funding for 2020-21, including the publication of the Police Grant Report for 2020-21. The police funding settlement will also not be approved by the House of Commons before 24 February. While the general grant allocations for MOPAC are not expected to change this means that this budget has had to be prepared on the basis of provisional estimates pending approval of the final police grant report by Parliament. The Government did not formally consult Police and Crime Commissioners (PCCs) or the Mayor of London, unlike the four week consultation process that followed the local government and fire finance settlement.

The Home Office announced that, for the Greater London Authority, funding provided through Home Office Police Grant would increase from £1,927.1 million in 2019-20 to £2,048.6 million in 2020-21, an increase of £121.5 million (6 per cent). This includes the core Home Office Police Grant, formula funding formerly paid by MHCLG, legacy council tax freeze grants and the National and International Capital City (NICC) grant. Funding from the NICC and legacy council tax freeze grants remains at 2019-20 levels, whilst the other two elements have increased.

In addition, London will be eligible to receive a ringfenced specific grant of £38.3 million, which will be paid in line with progress to recruit an additional 1,369 officers. This target was set by the Home Office for the Metropolitan Police Service (MPS) and the grant will be paid quarterly in arrears, subject to evidence of progress against milestones to be specified by the Government. As in 2019-20, the MPS will continue to receive a pensions grant of £45.7 million, to support the additional costs for police officer and staff pensions, following the revaluation of public sector pensions from 2019-20.

In total, the Government will provide £906 million in funding for counter-terrorism policing for forces across England and Wales. The Home Office will provide individual force-level allocations separately; these will not be made public for security reasons. There are also a number of specific grants funded by the Home Office from police funding ringfenced for national policing priorities. The £7 million funding provided by the Home Office for London's Violence Reduction Unit will be funded from this source.

Alongside revenue allocations, the Home Office also announced capital grant allocations. The allocation for MOPAC will decrease from £12.4 million in 2019-20 to £3.3 million in 2020-21, a reduction of £9.1 million (74 per cent).

Overall, after allowing for the reduction in capital grant above, the Mayor's Office for Policing and Crime (MOPAC) is due to receive additional grant income of £17.8 million compared with that assumed in the draft consolidated budget published on 21 January. However, this additional grant includes the funding for infrastructure to cover the full recruitment trajectory for additional officers over all three years.

As outlined above, the funding settlement confirmed that PCCs would be able to increase the Band D precept for policing by up to £10, without triggering a council tax referendum. The maximum increase permitted for the GLA's overall Band D precept payable in the 32 London boroughs is £11.56, of which £1.56 relates to the 2 per cent maximum permitted increase in the non-policing element. In effect, this permits a £10 increase in the policing element, extending the additional flexibility to the Mayor on the same basis as other PCCs.

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In the 2019-20 budget the Mayor allocated £118.6 million in business rates to MOPAC in order to secure funding for 1,000 more officers than would otherwise be affordable in 2020-21 and 2021-22; equivalent to £59.3 million in each year. This decision was based on the assumption that there could be a two-year lag in the GLA receiving income relating to business rates growth for future financial years from April 2020 onwards, based on proposals for potential reforms to the business rates retention system being considered by the Government. As the reforms have been delayed until 2021-22, the GLA will continue to receive business rates growth for 2020-21 in year but this two-year time lag remains a potential feature of the retention system post April 2021.

Therefore, the Mayor will allocate £59.3 million through business rates to MOPAC in 2020-21 to fund the commitment on 1,000 officers. MOPAC will also continue to retain the £118.6 million allocated in 2019-20 in earmarked reserves for future years, pending confirmation of future business rates retention arrangements.

### **Transport for London funding agreement with the Department for Transport**

In 2020-21, the GLA's retained business rates funding baseline includes £1,010 million in respect of the investment grant formerly paid by the Department for Transport (DfT). However, the Mayor has agreed that TfL can temporarily top-slice this sum by £100 million to help manage pressures on its revenue budget. Following an agreement between the Mayor and the Secretary of State in March 2017, this grant has been funded since 2017-18 through retained business rates. DfT set out their expectation that funding at levels equivalent to the investment grant set out in the 2015 Spending Review settlement should continue to be spent on capital projects.

The business rates allocation to TfL for 2020-21 is in line with the final year of TfL's 2015 Spending Review settlement. The Government has not yet confirmed any funding levels for TfL – including for capital investment - within the rates retention system beyond April 2021.

The grant previously paid to TfL for London Overground Rail Operations Ltd (LOROL) will no longer be paid from 2020-21. TfL receives other revenue and capital specific grants for specific programmes and projects which are agreed and paid separately including Crossrail.

### **Funding assumptions for retained business rates in 2020-21**

The MHCLG technical consultation on the 2020-21 settlement in October stated that the 75 per cent business rates retention pilots agreed for 2019-20 will finish at the end of March 2020 and there will be no further pilot arrangements for 2020-21 with the exception of those areas with local devolution agreements where the 100 per cent pilots which have been in place since 2017-18 will continue (i.e. the majority of Mayoral combined authorities outside London and Cornwall).

All of the GLA's core general grant funding for non-police services from central government has been replaced by retained business rates since April 2017 when the GLA's revenue support grant and TfL's capital investment grant were also rolled into its funding baseline. These arrangements are now confirmed to be continuing for 2020-21 and London government will return to the 67 per cent business rates retention scheme in operation during the 2017-18 financial year, before the 100 per cent and 75 per cent pilots in 2018-19 and 2019-20 respectively were introduced. The GLA will receive a 37 per cent share of business rates income in 2020-21 and the 33 London billing authorities 30 per cent prior to the tariff (the sums by which the estimated business rates baseline excluding growth exceeds the settlement funding baseline in London) and levy on growth payments due to the Government which are applied to support local services elsewhere in England. The remaining 33 per cent will be paid to central government via the central share.

All authorities previously members of the London pool (the 32 London boroughs, the Corporation of the City of London and the GLA), have agreed to continue to participate in the pool for 2020-21. Each authority will formally confirm its participation through local approval processes; the GLA's participation will be approved via a Mayoral Decision before the end of March 2020 .

It is forecast that London Government will pay a collective tariff in 2020-21 to MHCLG – the sum by which its estimated 67 per cent business rates retention income exceeds London's aggregate baseline funding – of almost £1.1 billion and a central share payment (the 33 per cent element not retained locally which is thus payable to the Government) of just under £3 billion. These sums will both be applied to support local government services across the rest of England.

In addition to the reduction in the locally retained share from 75 per cent to 67 per cent, the other major change compared to 2019-20 is that the levy on business rates growth will be reinstated following the ending of the pilot. This collective levy rate for the pool equates to just under 20 per cent of the growth in business rates above baselines. This represents foregone income for London Government via the business rates retention system which is redirected to support local services elsewhere in England. The financial benefit from pooling arises primarily because the collective levy percentage rate and thus the aggregate levy payment is expected to be lower than if the GLA and the 33 local authorities operated within the business rates retention system individually.

The table below shows the statutory shares of retained business rates for the GLA, the 33 billing authorities in London and central government in each year since the business rates retention system was introduced in April 2013, along with a statement as to whether a levy was payable on growth to the Government and a London wide pool was in place.

<b>Business rates retention: shares of retained rates and pool/levy position</b>	<b>2013-14 to 2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
GLA	20%	37%	36%	27%	37%
33 billing authorities	30%	30%	64%	48%	30%
Share retained locally	50%	67%	100%	75%	67%
Central Government	50%	33%	0%	25%	33%
Levy on growth in place	Yes	Yes	No	No	Yes
London pool in place	No	No	Yes	Yes	Yes

As a result of the lower level of retention in 2020-21, the Mayor, Leaders or elected Mayors of the 32 London Boroughs, the Corporation of London and London Councils have agreed not to continue funding the London-wide Strategic Investment Pot. Instead, it has been agreed that the additional income retained specifically as a result of the financial benefit arising from pooling, will be shared amongst the 33 billing authorities only. The GLA will continue to retain the growth above the business rates baseline from its 37 per cent share subject to its contribution to the overall levy payment on growth and it retains the additional benefit it receives from this higher percentage retention level.

London authorities will continue to receive grants from MHCLG (known as section 31 grants) in respect of Government initiatives and policy changes which reduce the level of business rates income, such as the ongoing impact of the change to the annual uprating of the NNDR multiplier from RPI to CPI made in April 2018 and the increased thresholds for, and the continued doubling of, small business rate relief. On 27 January the Government confirmed, formally, that the discount for retailers and related businesses occupying premises with a rateable value below £51,000 will be increased from 33 per cent to 50 per cent from April 2020 and be extended to grassroots music venues and independent local cinemas and in addition a £1,000 discount will apply to public houses with a rateable value of below £100,000 subject to state aid limits. The GLA will also be compensated for its share of the resulting lost revenues via a section grant payment from MHCLG. These section 31 grants will continue to be paid directly to the GLA in respect of its retained business rates share outside of the London pool. In the absence of further details, it is assumed at this stage that the ongoing cost of these reliefs will continue to be fully funded by the Government beyond 2020-21.

The GLA's estimated income from the pool in 2020-21 reflects the statutory forecasts of business rates income provided by the 33 local authorities at the end of January 2020 including the estimated surplus or deficit for 2020-21. On the basis of these estimates the GLA is expected to receive a combined total of £3.37 billion in business rates income from the 33 billing authorities and section 31 grants from MHCLG in respect of the 2020-21 financial year. The GLA's share of the collective tariff and levy payable by the pool to MHCLG to support local services elsewhere in England paid from these revenues is estimated to be £905.6 million. This leaves £2.47 billion available for GLA services including the GLA's share of the estimated aggregate collection fund surplus for 2019-20 adjusted for expected offsetting reductions in section 31 grant for retail relief and other provisions. Of the 2019-20 surplus an estimated £5.9 million must be applied for strategic investment in line with the agreement with Government for the 2019-20 London 75% business rates pilot.

## Council tax assumptions

Each London billing authority was required to determine its council taxbase for 2020-21 by 31 January 2020, 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 consultation budget assumed an increase in the council taxbase of 2 per cent in 2020-21, compared to the 2019-20 taxbase. Following receipt of information on taxbase levels from the billing authorities, the actual increase in the total London wide council taxbase for 2020-21 is 1.56 per cent. Billing authorities are also required to provide an estimated collection fund surplus or deficit outturn calculation for 2019-20 for council tax, taking into account expected collection rates and other changes such as the growth in the number of residential properties in London since their taxbases were set in January 2019. The council tax surplus for 2019-20, payable in 2020-21 has been confirmed at £17.4 million – this compares to a £12.2 million estimate assumed in the draft budget.

The Mayor's final draft budget proposes an overall increase of £11.56 in the Band D council tax charge for the GLA in 2020-21, equivalent to an increase of 3.6 per cent compared to the 2019-20 level. This level of increase applies to the precept for the 32 London Boroughs (the adjusted basic amount of council tax). The separate Band D charge for the City of London (the unadjusted amount of council tax), which is outside the Metropolitan Police District and has its own police force, is proposed to increase by £1.56 or 1.99 per cent.

The increase to the policing element of the precept reflects the Home Office assumptions on additional income, confirmed in the 2020-21 final police settlement, which provided flexibility to policing bodies to increase council tax by up to £10 in 2020-21. The decision to increase the non-policing element of the precept reflects the additional funding pressures faced by the London Fire Brigade in future years. All of the 1.99 per cent increase in this element of the precept will be allocated to fire and rescue services through the council tax requirement.

## Funding levels from 2021-22 onwards

The technical consultation on the 2020-21 settlement, published by MHCLG in October 2019, confirmed the Government would delay the planned implementation of reforms to local government finance until 2021-22, including the planned full reset of business rates retention baselines. This latter change could remove much of the business rates growth achieved locally since 2013-14 and redistribute this in line with the Government's estimates of spending need, taking into account the impact of the multi-year spending review and fair funding review.

There are three main elements to the proposed reforms to the business rates retention and wider funding system in addition to the reset: increasing the proportion of business rates retained by the sector potentially to 75 per cent; reforms to the business rates retention system to increase stability and certainty which may alter the basis on which growth is calculated and the timing of when it is paid; and a review of the funding formula which will affect baseline funding levels, tariff and top up payments and levy rates on growth. The consultation stated that the Government has decided to delay the reforms until 2021-22 in order to allow enough time to engage and consult on each area, before final decisions are made.

There is also expected to be a revaluation of all non-domestic premises in England introduced from April 2021 which will replace the existing April 2017 rating list. The revaluation will affect the business rates baselines and levy rates payable on growth by individual authorities. The Government also committed in its manifesto to undertake a fundamental review of business rates as a tax including potentially reducing the overall burden on ratepayers, although it is unclear when any recommendations arising from this review will be implemented.

In addition, the Government was expected to conduct a multi-year Spending Review over the summer of 2019. However, in August 2019, the then Chancellor of the Exchequer, Sajid Javid, confirmed the review would only cover the next financial year. Subsequently the Government's spending plans for 2020-21 were published in Spending Round 2019 on 4 September. The Chancellor confirmed it was the Government's intention that a full multi-year spending review would take place in 2020, setting out allocations for 2021-22 and beyond. The delay to both the multi-year spending review and the local government finance reforms means there is significant uncertainty on the likely level of funding the GLA will receive through retained business rates for TfL, the LFC and GLA services and - in respect of Home Office policing grants for MOPAC - from 2021-22 onwards.

## Budget timetable and key dates

Date	Description
24 February 2020	Mayor to present his final draft consolidated budget to the London Assembly.
28 February 2020	Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2020-21 and notify the Secretary of State for Housing, Communities and Local Government.
31 March 2020	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 the Mayor's Draft Budget

As noted in the Introduction, since the draft consolidated budget document was published on 21 January 2020, the GLA has received returns from billing authorities, confirming council taxbases, the collection fund surplus and forecast business rates income for 2020-21 and the estimated surpluses for 2019-20. In addition, this document reflects the council tax referendum principles for the unadjusted and adjusted basic amounts of council tax, published by the Government on 6 February 2020, as well as the Government's announcement of the police funding settlement on 22 January 2020.

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, to MOPAC, the LFC, GLA and TfL. A summary of the Mayor's proposed allocations of all of this additional income is presented in Part 1.

The council tax Band D charges for 2020-21 in the 32 London Boroughs and the City of London remain as set out in the supplementary paper to the draft consolidated budget, considered by the Assembly on 29 January 2020. However, the figures for the council tax requirement and Band D amounts in 2020-21 have been updated to reflect the final 2020-21 taxbases with the amounts for future years amended slightly, to reflect the consequential impact and the assumption that the taxbase will increase by 1.5 per cent a year from 2020-21 onwards.

Other minor typographical and wording changes have been made to the text to improve clarity, which do not affect the substance of the budget proposals

## Other formats and languages

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### Chinese

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### Vietnamese

Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

### Greek

Αν θέλετε να αποκτήσετε αντίγραφο του παρόντος εγγράφου στη δική σας γλώσσα, παρακαλείστε να επικοινωνήσετε τηλεφωνικά στον αριθμό αυτό ή ταχυδρομικά στην παρακάτω διεύθυνση.

### Turkish

Bu belgenin kendi dilinizde hazırlanmış bir nüshasını edinmek için, lütfen aşağıdaki telefon numarasını arayınız veya adresе başvurunuz.

### Punjabi

ਜੇ ਤੁਹਾਨੂੰ ਇਸ ਦਸਤਾਵੇਜ਼ ਦੀ ਕਾਪੀ ਤੁਹਾਡੀ ਅਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਤਾਂ ਹੇਠ ਲਿਖੇ ਨੰਬਰ 'ਤੇ ਛੋਣ ਕਰੋ ਜਾਂ ਹੇਠ ਲਿਖੇ ਪਤੇ 'ਤੇ ਰਾਬਤਾ ਕਰੋ:

### Hindi

यदि आप इस दस्तावेज की प्रति अपनी भाषा में चाहते हैं, तो कृपया निम्नलिखित नंबर पर फोन करें अथवा नीचे दिये गये पते पर संपर्क करें

### Bengali

আপনি যদি আপনার ভাষায় এই দলিলের প্রতিলিপি (কপি) চান, তা হলে নীচের ফোন নম্বরে  
 বা ঠিকানায় অনুগ্রহ করে যোগাযোগ করুন।

### Urdu

اگر آپ اس دستاویز کی نقل اپنی زبان میں چاہتے ہیں، تو براہ کرم نیچے دئے گئے نمبر بر فون کریں یا دیئے گئے بستے پر رابطہ کریں

### Arabic

إذا أردت نسخة من هذه الوثيقة بلغتك، يرجى الاتصال برقم الهاتف أو مراسلة العنوان أدناه

### Gujarati

જો તમને આ દસ્તાવેજની નકલ તમારી ભાષામાં જોઈતી હોય તો, કૃપા કરી આપેલ નંબર ૦૫૨  
 ફોન કરો અથવા નીચેના સરનામે સંપર્ક સાધો.

**GREATER LONDON AUTHORITY**

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## PART 3

### Final draft consolidated budget 2020-21: Finance and legal advice

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## 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.

A summarised version of the statutory budget process for 2020-21 is set out in the following table.

Budget process
<p>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.</p>
<p>Before arriving at the final version of the budget, a “draft component budget” for each constituent body will be the subject of consultation with the constituent bodies. Letters from the Mayor fulfilling this requirement were sent to MOPAC, LFC, TfL, LLDC and OPDC on 20 November 2019. The Assembly set out its proposals for the GLA: Assembly budget on 16 October 2019 and was consulted on the Mayor’s draft proposed GLA: Mayor budget on 16 December 2019.</p>
<p>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 7 January 2020. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This has also occurred.</p>
Draft budget stage
<p>The Mayor then determines a “draft consolidated budget” (which contains draft component budgets and council tax requirements for the seven constituent bodies), giving rise to the Authority’s resulting aggregate council tax requirement which was published and presented to the Assembly at a plenary meeting on 29 January 2020. No amendments were passed, and the draft budget was therefore deemed by law to have been approved without amendment.</p>
Final draft budget stage
<p>The Mayor is required to prepare and publish a final draft of his proposed consolidated budget (“final draft budget”) including component and aggregate council tax requirements 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.</p>
<p>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. This meeting will take place on 24 February 2020. Any amendment of the final draft budget must at this stage be agreed by at least two thirds of the Assembly Members voting.</p>

**Budget process**

If no amendments are made, then the final draft consolidated budget is deemed by law to have been approved without amendment. The resulting budget will be the approved consolidated budget for the financial year 2020-21.

**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;
- the 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 2019 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 and environmental 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 2019-20 budget and to judge outcomes;
- direct the 2020-21 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 2020-21 to 2023-24 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;
- sources of income;
- 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 2019-20. Explanations have been provided for the changes in terms of:

- inflation;
- savings and efficiencies;
- net changes in service expenditure and income;
- 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 City of London Corporation, 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 initial stages of the consultation have been considered before finalising the budget proposals. The final draft consolidated budget takes into account a consideration of all of the responses received through the consultation process. A separate budget engagement process was also undertaken through the Talk London website and a summary of the responses will be circulated to Assembly members separately.

The Budget and Performance Committee’s response to the Mayor’s Consultation Budget was issued on 16 January 2020 and the Mayor has considered and responded to the recommendations from the Committee.

## 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 constituent bodies 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 £3.3 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 2019-20 could result in a shortfall in the budget funding for 2020-21. 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 continues to be 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 2020-21 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, 2019-20 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 2020-21 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; and
- 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 strategy and includes relevant evidence and strategic objectives that set out what the GLA Group is aiming to achieve in relation to equality, diversity and inclusion. The strategy was published in May 2018. This goes beyond the nine protected characteristics set out in the Equality Act 2010, and, in particular, considers 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 *Inclusive London* strategy.

## Funding allocations

The budget consultation document “GLA Group Budget Proposals and Precepts 2020-21” set 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. 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 2020-21 compared with the previous year are set out in section 1 of Part 2. 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 Band D police element of the GLA precept by £10.00, in accordance with existing Government assumptions, while maintaining its core retained business rates funding and allocating further resources for new violence reduction initiatives;
- provide additional funding to LFC by allocating the additional income raised from the 1.99 per cent increase in the non-police precept and £232.9 million in retained business rates funding. This includes additional funding in the final draft budget for the Commissioner’s transformation programme. This level of retained rates funding is £22.1 million above the baseline for the fire and rescue element of the GLA’s settlement funding assessment (which has been rolled into the GLA’s retained business rates income since 2017-18);
- hold TfL’s council tax requirement at broadly the same cash level as in 2019-20 and allocating business rates funding of over £1.9 billion which partially replaces capital and operating grant which it previously received through Department for Transport grant. The final draft budget includes additional funding in 2019-20 for the bus driver retention scheme;
- decrease the budgeted resources allocated to OPDC from £11.8 million in 2019-20 to £7.8 million in 2020-21, and LLDC, from £34.3 million to £32.6 million on a like-for-like basis with the net costs of the London Stadium being shown in the revenue budget, whilst maintaining a Mayoral Development Corporation Reserve; and
- broadly maintain the resources made available to the GLA for core activities at similar levels to 2019-20 after adjusting for the profiled spending of the strategic investment fund, the additional financing costs for Crossrail and other more minor changes. The final draft budget also includes additional funding in 2020-21 for the Young Londoners Fund and a New Green Deal for Londoners.

## 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 TfL, as well as through a range of other Government grants for specific and general purposes such as Home Office Police Grant. 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 objectives set out in *Inclusive London* (including the question of how it will affect socio-economic inequality in London).

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 budget changes for 2020-21 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 strategic objectives set out in *Inclusive London*. This duty 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 objectives set out 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 2020-21”, published in December 2019.

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; providing additional funding to the LFC through the precept and business rates; and passing on in full the retained business rates for TfL which has replaced former Government operating and investment grants; 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 2020-21, 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 £320.51 to £332.07 – a rise of £11.56 or 3.6 per cent. This reflects the Mayor’s additional funding allocated to MOPAC through a £10 increase in the police element of the precept and a £1.56 increase in the non-police precept. The proposed 2020-21 Band D precept for the Common Council of the City of London, which is outside the Metropolitan Police district, is £79.94 – 1.99 per cent greater than in 2019-20.

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 Band D 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 Metropolitan Police and London Fire Brigade, in the light of his manifesto commitment to increase the council tax where it is necessary to keep Londoners safe. It should also be noted that the majority of the council tax increase is being implemented to safeguard police numbers and that crime disproportionately affects those who have lower levels of income, with the remainder of the increase being used to ensure the London fire service is adequately funded.

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 element of the council tax will increase for all individuals who pay council tax (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 and any reductions the council tax payer is entitled to under the billing authority’s council tax support scheme. The £11.56 (£1.56 for taxpayers in the City of London) increase to the Mayor’s precept applies to properties in Band D. A household 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 (£)**

<b>Band</b>	<b>2020-21</b>	<b>2019-20</b>	<b>Change</b>
Band A	£221.38	£213.67	£7.71
Band B	£258.28	£249.29	£8.99
Band C	£295.17	£284.90	£10.27
<b>Band D</b>	<b>£332.07</b>	<b>£320.51</b>	<b>£11.56</b>
Band E	£405.86	£391.73	£14.13
Band F	£479.66	£462.96	£16.70
Band G	£553.45	£534.18	£19.27
Band H	£664.14	£641.02	£23.12

The GLA does not have equalities 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 incomes are, in general, more likely to live in property that falls in the lower bands, thus reducing the monetary impact on such individuals of the council tax increase.

### Council tax support

Households which 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 payer’s place of residence and whether they have reached or are below their pension credit qualifying age. Since 2013-14 decision-making on the award of council tax support for working age households has been localised to individual billing authorities. These policies are determined in London by each of the 32 London boroughs and the Corporation of London. It is a statutory requirement for billing authorities to consult major precepting authorities (in London this is the GLA) on changes to council tax support policies; however, each billing authority is ultimately responsible for the design of its scheme, within the legislative framework set out by Government.

Under the localised system, eligible pensioner households continue to receive council tax support as previously under council tax benefit, but 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 2019-20 five have 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 policies for means tested benefits. The remainder have locally-designed 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 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 deemed more vulnerable.

Council tax support schemes for 2020-21 are not required to be confirmed until 11 March 2020. 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 2020-21, based on consultation proposals issued so far, the GLA understands that the minimum contribution for working age claimants in some boroughs could again be as much as 30 per cent of their council tax liability; although in nearly one third of boroughs working age claimants on the lowest incomes are eligible to receive up to 100 per cent support. In some authorities council tax support entitlement is restricted only up to the equivalent Band D rate and therefore working age claimants residing in properties in Bands E to H do not receive additional support for the difference.

As stated above there are often more generous council tax support policies applied to certain defined groups. For example, while some authorities apply their policies consistently to all working age claimants others offer greater levels of support to certain categories of claimant considered more vulnerable (e.g. disabled people, lone parents with young children and individuals in receipt of a war widow’s or war disablement pension). A majority of boroughs have also removed or scaled back 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 is withdrawn in full for working age households, vary from £6,000 to the default national guideline of £16,000 (which applies to pensioner claimants) 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 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 equalities data in respect of the 33 local council tax support schemes in London 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; lone parents; 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 less than 6 pence per week assuming they lived in a Band D property and were the sole adult liable to pay council tax in the household.

As noted above, the majority of the council tax increase is being introduced to safeguard police numbers and that crime disproportionately affects those who have lower levels of income, 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. This 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 billing authority.

**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. At the time the original decision was made, TfL forecast that an average household would have saved around £200 over the four-year period from the start of 2017 to the end of 2020.

The freeze in TfL fares means that everyone buying a bus or tram ticket in London will pay no more in 2020 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 charges for Santander Cycles have also been frozen.

In partnership with London Councils and the 33 local councils, the Mayor has maintained all TfL travel concessions, providing more than £300 million worth of free or discounted travel every year to children, people over 60 (subject to a small annual administration fee for the 60+ Oyster card), those on income support, and other socially disadvantaged groups. The level of service provided through the Dial-a-Ride and Taxicard schemes to eligible older persons and disabled people will also be maintained.

In addition, the Mayor introduced the ‘Hopper’ fare in 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. This was extended in early 2018 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. 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. From January 2021, TfL’s plan assumes that fares rise by around the retail price index plus one per cent, to support vital investment in public transport. This is only a business planning assumption by TfL as fares are set by the Mayor on an annual basis. The impact of any fare increase will be considered in detail, when final decisions are made on future years’ fares.

### 3. Advice on 2019-20 financial monitoring

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

In his 2020-21 Budget Guidance issued in June 2019, 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 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 are 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 Sub-Committee.

Part 2 sets out the forecast outturn for each functional body for 2019-20 although it should be noted that these figures are likely to change before the end of the financial 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 2020 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 2020-21. 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, as well as 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 2020-21. The impact of the business rates retention pool in London, the effect of business rate payer appeals, 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 2020 the GLA's general reserves balance is forecast to total £10.0 million and this balance is assumed at this stage to remain constant through to the end of 2023-24. This is in line with the GLA's policy 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 £38.1 million at 31 March 2020. In 2020-21 and subsequent years it is forecast to reduce over the planning period, reaching £23.4 million in 2023-24. The level of the reserve is monitored in light of developments in the capital programme and other funding sources; plans for future years are reviewed as part of the budget process each year.

##### **Earmarked reserves for GLA services**

In 2020-21 significant drawdowns from earmarked reserves are planned to fund the cost of the 2020 GLA elections, events associated with the 2020 UEFA European Football Championship and for the Young Londoners Fund. The balances held in reserves earmarked for GLA services are forecast to reduce to £80.6 million by 2023-24. Plans are being developed on how this remaining sum will be allocated.

## **Strategic Investment Fund reserve**

The Strategic Investment Fund reserve has been set up to manage the use of the £172.6 million in retained business rates income, the overall level of additional growth generated from the 2018-19 and 2019-20 business rates pilots. The balance in the reserve is forecast to be £154.6 million at the end of 2019-20. The balance on this reserve is expected to be reduced to zero by the end of 2021-22, as the funding generated from the business rates pilots is applied to approved strategic investment projects.

## **Mayoral Development Corporations and LLDC Capital Funding 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 £9.5 million at the end of 2019-20. By the end of 2021-22 the reserve is forecast to reduce to £3.6 million. This represents a prudent level of reserves held to provide support, should it be required.

The LLDC Capital Funding Reserve is expected to total £145.2 million at the end of March 2020 falling to nil by 31 March 2022 and is used to support the development of the Queen Elizabeth Olympic Park and surrounding area.

## **Business rates reserve**

The balance on the Business Rates Reserve is forecast to be £135.2 million at the close of 2019-20. This is lower than the figure assumed in the draft budget primarily because the £34 million of resources allocated in the Mayor’s final draft budget for bus driver retention will be paid to TfL in this financial year but the revenues funding this expenditure will not be received until 2020-21. By the end of 2020-21 the reserve will return to its historic target level of £188.2 million and is budgeted to remain at the same level throughout the period to 2023-24. The Business Rates Reserve is used to manage business rates income risk. The forecast balance on the reserve reflects current assumptions of its adequacy; its level is based on a percentage of expenditure equivalent to 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. The appropriate level to hold in the reserve has been reviewed and deemed adequate, following the returns of the business rates forecasts for 2020-21 from billing authorities at the end of January 2020, the impact of which are reflected in parts 1 and 2 of this final draft budget.

## **Greater London Authority: London Assembly**

Some 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 forecast to be £0.9 million at the end of March 2020. The main purpose of this reserve is to fund resettlement costs when Assembly Members leave office. This reserve is set to increase to £1.5 million, in order to meet anticipated pressures, by the end of 2023-24.

## **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) Mayor’s Office for Policing and Crime (MOPAC)**

MOPAC is forecasting general reserves of £46.6 million as at 31 March 2020; this level of reserves is forecast to be maintained across the budget period to 2023-24. MOPAC’s policy is to hold general reserves of at least 1.3 per cent of net revenue expenditure; this level of reserves represents 1.3 per cent of the forecast outturn net revenue expenditure in 2019-20, in line with MOPAC’s policy.

Earmarked reserves are forecast to reduce from £329.2 million at the end of 2019-20 to £277.2 million at the end of 2020-21 and to be reduced further to £83.9 million at the end of 2023-24. Earmarked reserves are being held for specific purposes, including £118.6 million earmarked to provide funding in future years for an additional 1,000 officers, as well as investment in the Met’s transformation and change programme, and managing one-off impacts to the medium-term budget. The forecast total balance by 2023-24 reflects planned spend on the programmes for which the reserves are held.

**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.

**(c) London Fire Commissioner (LFC)**

LFC’s general reserves at 31 March 2020 are forecast to be £15.5 million. They are assumed to remain at the same level across the period to 2023-24. These reserves are based on a level equivalent to 3.5 per cent of the current financial year’s budget, in line with LFC’s policy.

It is forecast that LFC will hold £57.0 million of earmarked reserves at 31 March 2020; these reserves will reduce to £42.0 million by the end of March 2021 and then decrease in each of the following years to £9.1 million by the end of March 2023-24, as the budget flexibility reserve is fully drawn down.

The level of reserves will be kept under review and will reflect any updated assessments of financial risks.

**LFC conclusion**

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

**(d) Transport for London (TfL)**

At 31 March 2020 TfL forecasts general reserves of £150.0 million. These are forecast to increase to £500 million by 31 March 2021 and then remain at the same level throughout the period to 2023-24. TfL also maintains a minimum prudent level of cash and short-term investments of around £1,200 million, equivalent to two months of operating costs, to ensure that it has sufficient liquidity to meet its financial obligations.

TfL forecasts earmarked reserves of £1,618.2 million at the end of 2019-20, reducing to £1,131.2 million in 2020-21; by the end of the period earmarked reserves are forecast at a level of £1,653.5 million in 2023-24. The earmarked reserves are held for capital spending purposes and their movement reflects planned spending on TfL’s capital programme, outlined in TfL’s latest Business Plan.

#### **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.

#### **(e) London Legacy Development Corporation (LLDC)**

As at 31 March 2020 LLDC will not hold any reserves. The LLDC’s historic reserves are held within the MDC and LLDC Capital Funding Reserves, 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 capital receipts from the sale of development land. 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 generally and specifically 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.

#### **(f) Old Oak and Park Royal Development Corporation (OPDC)**

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 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 2024 is summarised in the table below.

	<b>GLA</b>	<b>MOPAC</b>	<b>LFC</b>	<b>TfL</b>	<b>LLDC</b>	<b>OPDC</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
<b>Opening balances 1 April 2019</b>	<b>721.2</b>	<b>230.6</b>	<b>75.4</b>	<b>1,606.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2,633.8</b>
Movement on Earmarked reserves	-48.6	145.1	4.8	161.7	0.0	0.0	263.0
Movement on General reserves	0.0	0.0	-7.7	0.0	0.0	0.0	-7.7
<b>Balances 31 March 2020</b>	<b>672.6</b>	<b>375.7</b>	<b>72.6</b>	<b>1,768.2</b>	<b>0.0</b>	<b>0.0</b>	<b>2,889.1</b>
Movement on Earmarked reserves	-81.6	-51.9	-15.0	-487.0	0.0	0.0	-635.5
Movement on General reserves	0.0	0.0	0.0	350.0	0.0	0.0	350.0
<b>Balances 31 March 2021</b>	<b>591.0</b>	<b>323.8</b>	<b>57.6</b>	<b>1,631.2</b>	<b>0.0</b>	<b>0.0</b>	<b>2,603.6</b>
Movement on Earmarked reserves	-238.1	-109.4	-30.3	-213.5	0.0	0.0	-591.3
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balances 31 March 2022</b>	<b>353.0</b>	<b>214.4</b>	<b>27.3</b>	<b>1,417.7</b>	<b>0.0</b>	<b>0.0</b>	<b>2,012.3</b>
Movement on Earmarked reserves	-29.7	-76.5	-1.8	566.1	0.0	0.0	458.2
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balances 31 March 2023</b>	<b>323.3</b>	<b>137.9</b>	<b>25.5</b>	<b>1,983.8</b>	<b>0.0</b>	<b>0.0</b>	<b>2,470.5</b>
Movement on Earmarked reserves	-16.0	-7.4	-0.8	169.7	0.0	0.0	145.5
Movement on General reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Balances 31 March 2024</b>	<b>307.3</b>	<b>130.5</b>	<b>24.7</b>	<b>2,153.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2,616.0</b>

There are forecast reductions in the total reserves of the GLA, MOPAC and LFC between 31 March 2020 and 31 March 2024 with a net increase for TfL. This results in a net overall reduction of £273.1 million from 31 March 2020 to 31 March 2024, reflecting the planned use of earmarked reserves. Of the forecast balance on reserves of £2,889.1 million at 31 March 2020, around £222.1 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 2020-21 and in future years.

## 5. Advice on council tax requirements and referendums

### Component and consolidated council tax requirements

The Mayor must calculate component council tax requirements for the seven constituent bodies (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, Greater London Authority Act 1999 (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 local government finance settlement.

The council tax requirement for each constituent 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 London must be held. If the adjusted basic amount of council tax only is excessive under these 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.

On 20 December 2019 alongside the provisional local government finance settlement the Government published the draft regulations setting out the council tax referendum thresholds for 2020-21 – the ‘Referendums Relating to Council Tax Increases (Principles) (England) Report 2020-21.’ This included the draft principle for the GLA’s unadjusted relevant basic amount; but did not include a figure for the adjusted amount (applicable in the 32 boroughs), as the provisional police settlement had not been published at that stage. On 6 February the Government published the final principles ‘The Referendums Relating to Council Tax Increases (Principles) (England) Report 2020/21’ which was updated to reflect the impact of the police funding settlement announced on 22 January. These principles are yet to be approved by the House of Commons, but are expected to be approved on 24 February, following the Parliamentary recess, based on the provisional order of business for that date announced by the Leader of the House of Commons on 13 February.

On the basis of the published principles for the GLA, a referendum would be required if the unadjusted amount of council tax (i.e. the non-police precept payable in the City of London) were increased by 2 per cent or more. A referendum would also be required if the adjusted amount of council tax (i.e. the total Band D precept payable in the 32 boroughs) were increased by more than £11.56, reflecting the £10 referendum limit announced by the Home Office for local policing bodies in England.

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 figure for 2020-21.

#### Position regarding the City of London

The unadjusted basic amount of council tax proposed by the Mayor for 2020-21 in his draft budget is £79.94 for a Band D property – which is the sum payable by council tax payers in the City of London. This is £1.56 higher than in 2019-20.

#### Position regarding the 32 London boroughs

The adjusted basic amount of council tax proposed by the Mayor for 2020-21 in his final draft budget is £332.07 for a Band D property (i.e. £252.13 for MOPAC plus £79.94 for non-police services) – this is the sum payable by taxpayers in the 32 London boroughs. This is £11.56 or 3.6 per cent higher than the corresponding figure for 2019-20 of £320.51.

The adjusted (payable by taxpayers in the area of the 32 boroughs) and unadjusted (payable by taxpayers in the City of London) amounts of council tax proposed in the final draft budget are therefore both lower than the GLA’s estimate of the council tax amounts at or above which a referendum would be required, based on the published excessiveness principles for 2020-21 (i.e. £332.08 and £79.95).

### Substitute budget

In the event that the final draft budget did not comply with the applicable excessiveness 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. On the basis of the published excessiveness principles, this substitute budget would be in effect one consistent with an unadjusted council tax of £79.94 (in the area of the City of London) and/or an adjusted council tax of £332.07 (in the 32 London Boroughs) depending on which (or both) council tax amount(s) is/are “excessive”. These are 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 in this final draft budget which would not trigger a referendum, on the assumption that parliament approves the referendum principles.

### Determination regarding potential excessiveness

The council tax levels proposed by the Mayor in this final draft budget are compliant with the Government’s published excessiveness principles for both the unadjusted and adjusted amounts. Therefore, the principles would not trigger a council tax referendum in either the 32 London boroughs (the area where taxpayers are liable to pay the adjusted 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).

## **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 2020-21 the Mayor and the Assembly should have regard not just to the in-year funding position for 2020-21 but the expectation that overall resources to the GLA Group may be under pressure following the impact of the 2020 Spending Review, and implementation of the Fair Funding Review and reforms to the business rates retention system, including the reset of the business rates baseline for all authorities, for the first time since 2013-14, against which future growth will be measured.

## 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 council tax requirement for both the Mayor and the Assembly. These are set out in Part 1 of the budget documents.

### 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 final 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 council tax requirement figure by a greater percentage; or
- 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 2019-20;
- ‘New’ Mayor will be the Mayor’s proposed council tax requirement for the Mayor for 2020-21 after any adjustments made; and
- The percentage change in the Mayor’s council tax requirement from 2019-20 is calculated using these amounts.

The Assembly’s council tax requirement for 2019-20 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 draft council tax requirement figures, the Assembly could not amend their own council tax requirement so that it would increase, as the Mayor is proposing a Mayoral council tax requirement in 2020-21 which is £1.01 million *lower* than in 2019-20.

This is explained in the table below.

<b>Mayor’s Budget: Calculation of NM and OM</b>	<b>£m</b>
Proposed council tax requirement for the Mayor for 2020-21	66.591
<b>Deduct:</b> Nil	
<b>Add:</b> Nil	
<b>NM</b> (Mayor’s adjusted council tax requirement for 2020-21)	<b>66.591</b>
<b>Deduct:</b> OM (notional Mayor’s council tax requirement for 2019-20)	67.601
<b>Add:</b> Nil	
<b>Deduct:</b> Nil	
<b>OM</b> (notional Mayor’s council tax requirement for 2019-20)	<b>67.601</b>
<b>Amount NM is greater than OM council tax requirement</b>	<b>0.000</b>
<b>Percentage Increase</b>	<b>0.0%</b>
<hr/>	
<b>Assembly Budget: adjusted previous component Council Tax Requirement</b>	<b>£m</b>
Notional component Council Tax requirement for the Assembly for 2019-120	2.623
<b>Add:</b> Percentage change in NM compared with OM	0.000
<b>Adjusted previous component Council Tax requirement</b>	<b>2.623</b>

## Legal Advice

### 8. Overview

This section of Part 3 to the Mayor’s final draft budget sets out legal advice on the scope of the Assembly’s amendment powers.

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.

### 9. Scope of Assembly’s amendment powers

#### Statutory definitions

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.

#### What is the Assembly’s power of component and consolidated budget amendment?

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 seven constituent 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 unadjusted relevant basic amount of council tax) that is excessive under the approved excessiveness 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 referendums – 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 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 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 final draft consolidated budget to the Assembly on 24 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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