

Greater London Authority Finance and Performance Report Q2 2016-17

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1. Introduction

- 1.1. This report provides a summary of the Greater London Authority's (GLA) financial and performance position at the end of the second quarter of 2016-17.

2. Financial position

Revenue forecast

- 2.1. Table 1 below provides a summary of the revenue forecast.

Table 1 – Revenue Forecast

Directorate	Revised Budget £m	Forecast Expenditure £m	Forecast Variance £m
Development, Enterprise & Environment	17.116	16.158	-0.958
Housing & Land	23.214	22.923	-0.291
Communities & Intelligence	24.232	23.731	-0.501
External Affairs	7.768	7.895	0.127
Resources	27.962	27.903	-0.059
Corporate Management	17.472	17.433	-0.039
Mayor's Office	4.607	4.317	-0.290
Assembly & Secretariat	7.213	7.038	-0.175
Corporate Items	101.351	84.231	-17.120
Sub-Total	230.935	211.629	-19.306
Reserves	-49.166	-49.166	0
Budget Requirement	181.769	162.463	-19.306

Revenue: Directorates

- 2.2. Directorates are forecasting an underspend of £2.2m at the end of the first quarter. This is made up of a combination of under and over spends, of which £2.7m is related to budget re-profiling requests. The most significant elements of this variance are summarised below.

Directorate	Variance £m	Commentary
Elections	0.3	This represents a forecast overspend, which can be charged against the Elections Reserve at year-end, on the budget for the Maximum Recoverable Amount (which is expenditure on specified services and expenses for each constituency at the 2016 Mayor and London Assembly Elections) offset by underspends in the budgets for the e-counting contract, training, Election count venues and advertising and additional income received from candidate deposits.

Mayor's Office	-0.3	There is a forecast underspend within the Mayor's Office at the end of the second quarter due to the effect of part-year recruitment and vacancies within the Mayoral Advisor and Support teams which are being recruited to as the structure is reconfigured to meet the needs of the new administration following the 2016 election.
Governance and Resilience	-0.4	This reflects a forecast underspend on the central statutory strategy budget.
Development, Enterprise & Environment	-1.0	This is principally due to slippage on the FE programme.
Communities & Intelligence	-0.5	This underspend reflects slippage on the Sports Programme offset in part by exchange rate fluctuations on H2020 project

- 2.3. Directorates are also forecasting programme slippage of £2.7m, summarised below, which will be factored into the revised budget reported at Q3 and the draft 2017/18 Budget.

Microsoft Enterprise Agreement and Cloud Computing	£0.550m
London Enterprise Panel	£0.166m
Further Education	£0.970m
Sports Legacy	£0.820m
Community Right to Build	£0.216m
Total	£2.722m

Revenue: Corporate Items

- 2.4. On corporate items, there is a favourable variance of £0.5m due to the receipt of additional investment income, reflecting effective cash management within strict risk parameters resulting in an increased rate of return, an underspend of £2.8m on the grant payable to OPDC and, as reported at Q2, unbudgeted income of £13.8m arising from recharges to GLAP for interest payable and shared service costs.

Contingency

- 2.5. The GLA budget includes a sum for contingency of £2m. Any allocation of contingency is not added to base budgets but is instead available on a non-recurring basis to provide transitional support for specific budget areas.
- 2.6. The approved applications of contingency to date for 2016-17 are listed in Table 2 below.

Table 2 – Contingency Allocation 2016-17

Original Budget		£m
		1.975
Directorate	Item	
External Affairs	London is Open	0.150
Resources	Corporate Training Budget	0.050
Resources	Executive Search Services for TfL Board Members	0.050
Resources	Dagenham Plastic Ltd	0.006
External Affairs	2016 Olympics Homecoming Celebration	0.500
Development, Enterprise and Environment	London Finance Commission	0.050
External Affairs	Marketing Post re-grade	0.029
		0.835
Total Adjustments		
Revised Budget		1.140

Reserves

- 2.7. Table 3 overleaf details the reserve adjustments at the end of the second quarter, with the transfers from the Directorate Programme Reserve reflecting the application of the agreed carry-forward of Directorate budgets from the 2015-16 closure of accounts processes (as per MD2010) to fund projects that were delayed and are due to start or be completed within this financial year.

Table 3 - Transfers (to)/from Earmarked Reserves

Reserve	Balance at 31 March 2016 £m	Transfers In 2016-17 £m	Transfers Out 2016- 17 £m	Balance at 31 March 2017 £m
Assembly Development & Resettlement	(1.822)			(1.822)
City Hall Lease Smoothing	(3.269)	(1.018)		(4.287)
Compulsory Purchase Orders	(1.377)			(1.377)
Development	(3.000)			(3.000)
Development Corporations	(34.153)		17.400	(16.753)
Directorate Programmes	(19.982)	(10.138)	8.099	(22.021)
Election	(13.138)	(4.500)	15.638	(2.000)
Environment Drainage	(0.386)	(0.111)		(0.497)
Estates	(3.936)			(3.936)
Legal Fees	(0.700)			(0.700)
London and Partners	(2.245)			(2.245)
Major Events	(13.500)			(13.500)

Mayoral Resettlement	(0.077)			(0.077)
New Homes Bonus	(32.029)			(32.029)
NDR Backdated Appeals Spreading	(30.041)			(30.041)
Planning smoothing	(0.226)			(0.226)
Pre-Application Planning	(0.487)			(0.487)
RCGF Interest	(2.116)		0.532	(1.584)
Resilience	(196.376)	(4.091)		(200.467)
Revenue Grants Unapplied	(53.162)	(3.786)	31.141	(25.807)
Self-Insurance Fund	(1.000)			(1.000)
Total Earmarked Reserves	(413.022)	(23.644)	72.810	(364.609)

2.8. As explained in the report on the draft GLA budget for 2017-18 considered by the Budget and Performance Committee on 24 November, in finalising the budget for next year changes are expected to be made to the reserves in order to:

(a) Identify resources that can be applied/set aside for new priorities and/or increasing financial risks (e.g. underwriting of events);

(b) Rationalise the number of reserves having regard to the increased level of resources now under the Mayor's control reserves (which means that some of reserves established to cover relatively low value risks are no longer necessary) and to changing mayoral priorities (e.g., budget carry forwards no longer required); and

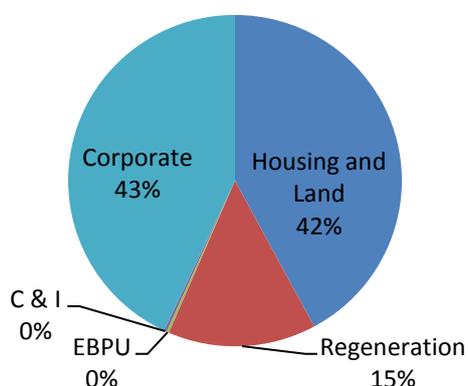
(c) More clearly distinguish those reserves maintained in respect of the GLA's group-wide budget and funding responsibilities from those to support the GLA's own activities and corporate risks.

Capital

2.9. A one-off exercise was performed to align the 2016-17 Capital programme budget to the expected delivery milestones, through a re-profiling process. As a result of the re-profiling some projects are forecasting spend in line with the re-profiled budget at quarter 2.

2.10. The total Capital programme budget for 2016-17 has been revised from £1.159.2m to £571.9m. An analysis of the budget allocation by business units is shown in diagram 1 below. The total forecast capital outturn at quarter 2 is £659.9m, which is 15% higher than the revised budget. The actual spend at quarter 2 was £203.2, which is 36% of the budget.

Analysis of 2016-17 Capital Budget



Housing and Land

2.11. The Housing and Land forecast shows a projected overspend of £45.207m (Table 4 refers). The main areas of forecast overspend were within the Housing Zones programme. The Housing programme consists of long term projects and the associated budgets are profiled over the life of the programme; the future years budgets can be amended for overspend occurring in the current year. Details of the major budgets are provided below:

Table 4 – Housing and Land Capital Forecast

	2016-17 Re- profiled Budget £m	Forecast Outturn (P7 Q2) £m	Forecast Variance £m
Affordable Housing Programme	106.939	106.939	-
London Housing Bank	51.765	21.000	(30.765)
Housing Zones (DCLG)	20.000	30.000	10.000
Housing Zones (MHC)	31.325	91.000	59.675
Homelessness Change and Platform for Life	7.500	10.947	3.447
Care & Support (MHC2)	6.000	6.000	-
Land and Property projects	3.212	3.262	0.050
Home Retrofitting	0.126	2.226	2.100
Custom Build	-	0.700	0.700
Olympics CPO	14.100	14.100	-
Total	240.967	286.174	45.207

Affordable Housing programme

- 2.12. Full local programme management is continually underway with housing providers to maximise delivery of schemes which will achieve start on site and or completion this year. This includes management of around 500 schemes totalling over 6,000 homes with 76 delivery partners. Expected forecast expenditure to year end for 2016-17 is £106.9m, which is in line with the annual budget for this programme.
- 2.13. As noted in previous years, the programme is heavily back loaded with the majority of delivery expected in the final 6 weeks of the year and further changes to this forecast will be provided at that time. Last year, 63% of expenditure (£46m) occurred in March. It should also be noted that the GLA is due to launch the new bids programme shortly and this may further impact on delivery and expenditure in the final quarter of the year.

London Housing Bank

- 2.14. The London Housing Bank is forecasting underspend of £30.7m, at quarter two. The reduction in forecast spend is due to the withdrawal of a potential contract, which had a valued of £52m, by a developer. A drawdown of £21m by a Housing Association is expected by the end of this financial year, (2016-17). The project manager is in discussions with DCLG to have the unspent balance of £30.7m transferred to the Housing Zone programme.

Housing Zones

- 2.15. The Housing Zone programme is split into: grant funding and loans. DCLG provides specific funding for the loans. The forecast outturn for Housing Zone loans shows an increased spend of £10m. The forecast additional spending is required to fund allocations for potential new loans as GLAP enter into contracts with counterparties. The value of loans issued to-date is £21m.
- 2.16. The grant funding programme shows a forecast overspend of £59.7m at quarter two. The forecast increased spend is a result of current estimates made, on the progress of ongoing discussions with 18 Local Authorities and the increased likelihood of entering into contracts.

Homelessness Change and Platform for Life

- 2.17. The Homelessness Change and Platform is forecasting an increased spending of £3.4m. This increase in forecast spend is due to additional allocation to an investment partner for the provision of a new hostel, as they had achieved start on site.

Care and Support

- 2.18. This project is forecasting spend in line with budget. There has been no spending to-date from the 2016-17 budget of £6m. However, the Business expects spending to commence in quarter 3, but the majority of the spending to occur in quarter 4.

Other projects

- 2.19. Land and Property mainly relates to capital expenditure associated with the land stock portfolio. To-date, 43% (£1.4m) of the budget has been spent. The spending was mainly on the Millennium Mills and the LSIP sites. The Business expects to achieve the budgeted spend by the end of the year. Table 4 shows forecast overspend of £50k on Land and property, which is expenditure relating to road works at the A20. A budget was not established for this project, as the associated cost of the road works will be fully recovered from external sources.
- 2.20. The forecast spend for Home Retrofitting and Custom Build relates to carry forward budgets from 2015/16. The forecast spend on custom build is £700k. The unspent balance of approximately £3m will be used to fund the Community Led Housing project in 2017/18. The forecast overspend of £2.1m relates to the budget carry forward from 2015/16 on the London Boiler Cashback scheme. To-date, £500k of the budget has been spent. The Business Unit has forecast additional spending of £300k on the scheme, and the remaining £1.3m is to be spent on a new Fuel Poverty Boiler scheme, subject to MD approval.

Regeneration

- 2.21. The Regeneration capital programme budget was re-profiled, based on the contractual conditions of when milestone payments are expected to occur with some assumed slippage; and the most recent monitoring information provided by its delivery partners. An analysis of the programme forecast spend is provided in table 5 below:

Table 5 – Regeneration Capital Forecast

	2016-17 Re- profiled Budget £m	Forecast Outturn (P7 Q2) £m	Forecast Variance £m
London Regeneration Fund	7.117	6.117	(1.000)
Mayor's Regeneration Fund	11.696	11.696	-
Woolwich	5.000	5.000	-
London Enterprise Fund	4.963	4.963	-
Growing Places Fund	33.578	36.532	2.954
Crystal Palace Park	1.920	0.520	(1.400)
Further Education Capital Programme	17.873	14.576	(3.297)
	<u>82.147</u>	<u>79.404</u>	<u>(2.743)</u>
High streets Fund	-	4.641	4.641
	<u>82.147</u>	<u>84.045</u>	<u>1.898</u>

London Regeneration Fund

- 2.22. The London Regeneration Fund is forecasting underspend of £1m at quarter 2. The projected underspend is a result of slippage on a small number of projects, but mainly on the Loughborough junction project. The slippage has resulted from delays in the planning permission, where the approval date has now slipped from October 2016 to January 2017.

Growing Places Fund

- 2.23. The Growing Places Fund is forecasting an increase in spending of £2.9m at quarter 2. The increase in spending is the result of the Memorandum of Understanding with TfL, for the Stratford to Angel Road rail, being recently finalised. This has resulted in the project being brought forward to the current year, 2016-17.

Crystal Palace Park

- 2.24. Crystal Palace is forecasting underspend of £1.4m. The forecast underspend is a result of delays on two of the projects, as follows:
- the construction project on the café has been delayed due to the leaseholder of the existing building challenging termination of their lease.
 - delays in the construction of the skate park due to financial difficulties with the original contractor, which has required the project to be retendered.

Further Education Capital Programme

- 2.25. The Further Education Capital Programme is forecasting underspend of £3.3m. A more cautious view has been adopted on projected spend in light of new monitoring information received, and slippage is expected on the following projects:
- Lambeth College: delays in the planning application process while further work is being done on the viability information, which sets out the level of affordable housing in the development
 - Richmond Upon Thames College: delays in the final stage of the planning determination, whilst a Right of Way is negotiated with local land owners for direct owners to site
 - Hackney Community College: plans for digital skills offer at Here East have been delayed, whilst the lease options are explored with Loughborough University.

High Streets Fund

- 2.26. High Streets Fund: the forecast spend of £4.6m is a balance brought forward for the 2015/16, which has now been approved. The Service has forecast full spend to budget on this project.

Communities & Intelligence and EBPU

- 2.27. Museum of London has spent 55% of its budget and is forecasting to fully spend its budget by the year end. A review of the planned spending by London and partners showed that most of the expenditure is Revenue expenditure, hence a reduction in forecast spending, see Table 6 below.

2.28. Sporting Future for London is forecasting spend to budget. EBPU Skills is forecasting to underspend its budget by £500k. The forecast reduction in EBPU Skills budget is as a result of slippage due to the programme being delayed, as the Team await confirmation of match funding from the European Social Funds. There has been no spending to-date on these two projects.

Table 6 – Communities & Intelligence and EBPU Capital Forecast

	Current & Re- profiled Budget £m	Forecast Outturn (P7 Q2) £m	Forecast Variance £m
Museum of London	0.755	0.755	-
London and Partners	0.380	0.025	(0.355)
A Sporting Future for London	0.700	0.700	-
EBPU Skills	1.000	0.500	(0.500)
Total	2.835	1.980	(0.855)

Corporate

2.29. The total corporate budget for 2016-17 is £246m which represents 43% of the total capital programme budget, see table 7 below. The NLE project is forecasting spend to budget. However, LLDC is forecasting an increase spend to budget. The forecast increased in spending of £41.6m is the result of: a reduction in LLDC's forecast receipts due to delays in completion of the Chobham Manor development and additional transformation cost for the Stadium.

Table 7 – Corporate Capital Forecast

	2016-17 Re- profiled Budget £m	Forecast Outturn (P7 Q2) £m	Forecast Variance £m
Northern Line Extension	193.000	193.000	-
London Legacy Development Corporation	46.400	88.000	41.600
Education Fund Agency	5.000	5.000	-
City Hall Infrastructure	1.100	1.100	-
Technology Group	0.502	0.502	-
Total	246.002	287.602	41.600

3. Performance

- 3.1. Some performance issues are set out above in the financial paragraphs of the report. There were 2 red-rated projects at the end of the second quarter:
- The London Sustainable Industries Park (LSIP) continues to be rated red due to the ongoing issue in providing sufficient means for the export of gas for SARIA Ltd at plot five.
 - Housing Mobility is also rated red as both schemes (Housing Moves and Seaside and Country Homes) are now below target. The number of properties becoming available for SCH has been lower than average, as has the number of applicants.
- 3.2 Of the projects which were rated red last quarter, some which were not yet under grant agreement are now not being forward following discussions with the delivery partners. This is either when changes in scope made the proposal significantly different to the original approval, or where the partner decided not to progress the investment. They are FE Harrow Digital, LRF Anerley Town Hall (Crystal Palace), and LRF Mainyard Studios.
- 3.3 As a result, two new reserve projects within the London Regeneration Fund are now being taken forward: Wood Green Works and the Livesey, Ledbury.
- 3.4 The table overleaf sets out the main changes in rating over the past quarter.

Table 8 – Project rating changes at Period 7

	By Period 13 (Q4, 2015-16)	By Period 2	By Period 4 (Q1, 2016-17)	By Period 7 (Q2, 2016-17)
	Projects which entered the Amber and Red category and are still there			Projects changing category in the past quarter
GREEN	80	77	85	78
GREEN				<p>New in: LRF Wood Green Works LRF The Livesey, Ledbury GPF LB Bexley Erith GPF Games promotion FE Capital Waltham Forest College Engineering Science and technology Centre</p> <p>↑ HSF small projects ↑ MRF Tottenham Projects ↑ LRF Abbey Wood ↑ LRF Harrow Town Centre ↑ LRF West Ealing ↑ LRF London Riverside ↑ LRF Barking Town Centre ↑ GPF Hackney Wick Station</p>
AMBER	46	40	54	62
AMBER	HSF ↓ Harrow Station Road ↓ Old Kent Road ↑ MRF Croydon: Wellesley Road Crossings	FE Capital ↓ Richmond College Phase 1 MRF ↓ Colliers Wood ↓ Gateway to Peckham GPF ↓ London Co-Investment Fund ↑ HSF Forest Hill	FE Capital ↓ NCDS ↓ Bromley Hospitality ↓ Richmond College Phase 2 ↓ ELATT LRF ↓ Blackhorse lane ↓ North Woolwich ↓ Cell Hackney Wick ↓ South Kilburn ↓ Dalston Works ↓ Busk in London ↓ HSF Station Road Harrow ↓ GPF West Anglia Route ↑ HSF Harrow Road ↑ RE:NEW / Boilers ↑ Team London 2work ↑ Team London Veterans	MRF ↓ Haringey Opportunity Investment Fund ↓ Haringey Employment Support ↓ HSF Abbey Wood ↓ Crystal palace LRF ↓ Erith ↓ Loughborough Junction ↓ Meridian Water workspace ↓ Richmond RACC workspace FE Capital ↓ Fashion Retail Academy ↓ Hackney Open Tech Institute ↓ Smart London demonstrators ↓ RE:FIT ↓ Royal Albert Docks ↑ HSF Whitechapel ↑ Mayor's Affordable Housing Delivery ↑ FE Capital Lambeth College ↑ GPF Tempus Energy
RED	4	8	8	2
RED		↓ London Sustainable Industries Park		↓ Housing Mobility
				<p>Completed: MRF LB Camden Collective and retail scheme MRF LB Croydon West Croydon Investment Programme MRF LB Enfield Market Gardening MRF LB Hackney Shop Fronts English the Key to Integration</p> <p>Not taken forward: FE Harrow Digital LRF Anerley Town Hall LRF Mainyard studios</p>
Total active	130	125	146	142