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# **Part 2**

# **Final Draft**

# **Consolidated**

# **Budget 2018-19**

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 and Emergency Planning Authority (LFEPA), which will become the London Fire Commissioner (LFC) from 1 April 2018; Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Oak Common and Park Royal Development Corporation (OPDC).
- 1.2 This section sets out a summary of the key deliverables in the Budget, a summary of the overall proposals and the structure of the rest of the Document.

### Key deliverables

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

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

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

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

- 1.6 Revenue figures for 2017-18 in the table at paragraph 1.5 reflect the revised budget position. The capital figures for 2017-18 reflect forecast outturn data as this provides the most meaningful comparator in each case.
- 1.7 Overall gross revenue and capital expenditure has decreased by £282.9 million in 2018-19 from 2017-18. This primarily reflects the impact of the Crossrail project nearing completion, partially offset by increased capital expenditure in MOPAC. The change in the revenue budget shown in the table above includes the impact of the council tax collection fund surplus in 2018-19, the forecast income from the London Business Rates Pool to be allocated by the Mayor on strategic investment projects and the business rates retention tariff payment. Details of the allocations of these sums are described within the relevant section of this budget. Excluding these items, total gross revenue expenditure has increased by £300.8 million.
- 1.8 The increase in revenue expenditure reflects increases in TfL expenditure which includes the impact of the one-off committed payment to TfL of the £75 million that was removed from its 2015-16 business rates allocation for its share of the GLA Group's business rates deficit from 2013-14 and 2014-15. Effectively this reflects a delayed committed payment to TfL that has been implemented now that the GLA is forecast to reach a cumulative business rates surplus by the close of 2017-18. In addition, it honours the Government's settlement with TfL.
- 1.9 The net decrease in the Group's capital expenditure in 2018-19 primarily reflects the reduction in expenditure year on year on Crossrail as it nears completion, partially offset by increases in the capital spending plans for MOPAC on the police estate transformation programme.
- 1.10 After allowing for fares, charges, other income and use of reserves, gross revenue expenditure of £12,178.0 million for 2018-19 translates into net expenditure to be financed from government grants, retained business rates and the council tax precept of £5,443.4 million.

### **Council tax precept**

- 1.11 The GLA's precept is the amount of council tax the Mayor has to raise from London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London) to balance the GLA Group's revenue expenditure, after allowing for revenue grants from the Government and retained business rates.
- 1.12 The Mayor proposes to increase the police element of the Band D precept paid by taxpayers in the 32 London Boroughs by £12.00 in 2018-19 to £218.13 in order to provide additional resources to support front line policing services – an increase in the precept of 5.8 per cent. This is in accordance with the Home Office assumptions that police precepts for all English police forces are increased by £12.00.

- 1.13 The Mayor has also decided to increase the non-police element of his precept by 2.99 per cent in line with the referendum thresholds announced by the Government in the provisional local government finance settlement and passport the additional revenues generated to the London Fire Brigade following the horrific fire at Grenfell Tower. In practice 1 per cent of the 2.99 per cent increase, as well as the income from additional buoyancy in the council tax base above the 2 per cent assumed in the Draft Budget, will be reallocated to MOPAC by transferring the equivalent sum to policing from LFC's retained business rates allocation. As a result, the Mayor's provisional 2018-19 precept for the Common Council of the City of London which is outside the Metropolitan Police district will be £76.10 - £2.21 higher than in 2017-18. More detailed information about the precept and its calculation are included in Appendix H.
- 1.14 The forecast consolidated council tax requirement for 2018-19 based on these council tax figures is £865.7 million. Details of the component council tax requirements for each member of the GLA Group for 2018-19, and indicative figures for the following three years, are set out below.

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

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

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

- 1.16 The above table reflects the 2.4 per cent increase in the council tax base. This means the level of funding provided for policing via the council tax requirement is £49.3 million or 8.3 per cent higher in 2018-19 compared to 2017-18. This excludes the additional business rates income the Mayor is proposing to pass to MOPAC.
- 1.17 The council tax requirement for the London Fire Brigade in 2018-19 is £9.8 million or 7.1 per cent higher compared to 2017-18, reflecting the 2.99 precept increase to the total non-police precept and its share of the income from the tax base increase. The GLA: Mayor's council tax requirement also increases by £1.8 million reflecting the apportionment of income from the forecast tax base increase; however, this does not result in an increase in that component budgets because it is offset by a £0.3 million reduction in business rates funding, which is allocated to MOPAC. In 2018-19 the GLA will receive a council tax collection fund surplus of £23.9 million for 2017-18; surpluses of £12.2 million are forecast for the following three financial years.

#### **Business rates retention and London 100 per cent retention pilot**

- 1.18 The Government has approved a 100 per cent business rates retention pilot involving the GLA and the 33 London billing authorities for the 2018-19 financial year. This pilot will allow London government to share 100 per cent of the additional business rates growth generated through the pool as it will be subject to no levy on any additional growth in revenues generated excluding the impact of the 2017 revaluation. The GLA alone paid over £13 million in levy payments in 2016-17 and is forecast to pay around £26 million in 2017-18 so the removal of this through the London pilot offers a significant financial benefit to the capital's local authorities.
- 1.19 It has been agreed by the Mayor that the GLA's incremental revenue arising from the pilot over what it would have received if this had not proceeded will be applied to fund strategic investment projects. The GLA has entered into a Memorandum of Understanding (MOU) with the 33 billing authorities in relation to the administrative and governance arrangements for the pool which includes this commitment. Further details on the 100 per cent pilot are set out in Appendix I.
- 1.20 As a result of pooling the GLA's share of retained business rates income is now 36 per cent - almost double the 20 per cent share in 2016-17. This higher share offers both the opportunity to generate additional revenues from business rates growth but also exposes the GLA to a greater degree of risk, primarily, but not exclusively, due to the ongoing uncertainty around business rates appeals in respect of both the 2010 and the new 2017 rating lists. This higher share reflects the transfer of TfL's capital investment grant, the revenue support grant for fire services and the GLA, and council tax freeze funding for the police into the business rates retention system in April 2017. The use of retained business rates to reflect the TfL capital grant is allocated to TfL's capital spending plan set out in section 9 and Appendix D.



- 1.21 Under the MOU, the GLA will still be required to make a fixed tariff payment to the Ministry of Housing, Communities and Local Government (MHCLG) (formerly the Department for Communities and Local Government (DCLG)) through the pool to support local services elsewhere in England. This will be updated annually by inflation. This represents the difference between its share of business rates income and its funding baseline. This tariff will reduce from £720.2 million in 2017-18 to £687.3 million in 2018-19 because of the impact of the London business rates pool pilot which reduces the GLA's business rates share from 37 to 36 per cent and a revised methodology which reflects data from the final compiled 2017 rating list, as at 1 April 2017, rather than the draft valuations used for the 2017-18 settlement.
- 1.22 The GLA's business rates income before tariff payments and excluding the business rates collection fund surplus relating to 2017-18 is estimated to be £3.19 billion in 2018-19. There also remains significant uncertainty relating to outstanding and future business rates appeals. The GLA had a £165 million provision for future appeals refunds on its balance sheet at 31 March 2017 and this is likely to exceed £300 million by 31 March 2018, due to the GLA's higher business rates share from April 2017. Further details are set out in Appendix I.
- 1.23 Forecast council tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2018-19 including government grants and fare revenues are summarised below.

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

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

- 1.24 Appendix H sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations made by the Mayor. The table overleaf summarises the Mayor's allocation of those revenue streams over which he has direct control which are business rates and council tax. These are the funds which the Mayor has the ability to apply and reallocate across the GLA Group at his discretion, subject to the Assembly's consideration of the Mayor's budget proposals. 2018-19 allocations are compared to the 2017-18 original allocations.
- 1.25 The table shows that the principal changes in the allocation of resources controlled by the Mayor across the GLA Group are the increased allocations to the GLA: Mayor, MOPAC, LFC (formerly LFEPA) and TfL. This reflects the allocation of additional council tax and business rates income resulting from the borough council tax and business rates returns for 2018-19. The allocation of additional business rates to TfL includes a one-off £75 million committed repayment to compensate TfL for the £75 million reduction in its 2015-16 business rates allocation for its share of the GLA's cumulative business rate deficit at the end of 2014-15. The allocation to the LLDC reflects a reduction in underspends carried forward from previous years and the reduced allocation to OPDC reflects underspends carried forward and the removal of one-off expenditure incurred in 2017-18. There is reduced funding allocated to the GLA: Mayor. Appendix I sets out the technical assumptions underpinning the planned funding allocations.

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

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

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

<b>Change</b>	<b>139.8</b>	<b>0.4</b>	<b>110.9</b>	<b>16.1</b>	<b>108.8</b>	<b>-1.2</b>	<b>-1.2</b>	<b>373.6</b>
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1. Figures are net of tariff and levy payments under the business rates retention scheme.
2. LLDC and OPDC allocations reflect the funding of underspends carried forward from previous years.

**Equalities**

- 1.26 Promoting equality, diversity, inclusion, social mobility and social integration are all high priorities for the Mayor. A steering group, chaired by the Deputy Mayor for Social Integration, Social Mobility and Community Engagement and with representation from all the GLA Group,

has been overseeing the development of the new Equality, Diversity and Inclusion Strategy, due to be published in 2018, which will set out the Mayor's priorities and approach. Each member of the Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected groups.

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

### Structure of Document

- 1.29 Revenue budget proposals and funding for each constituent body within the GLA Group is presented in organisational terms in Sections 2 to 8 of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of their council tax requirements. Section 9 sets out the final draft capital spending plans and borrowing limits for the GLA Group.
- 1.30 Appendices A to I provide more explanatory information on the budget proposals, including at Appendices H and I addressing the medium term financial outlook for the GLA Group and funding assumptions underpinning the budget proposals. All figures are presented to the nearest £0.1 million. Please note that figures in the tables throughout the document may not sum exactly due to this rounding effect.
- 1.31 There are also more detailed public documents relating to the budget proposals, including those that have been the subject of individual scrutiny and discussion by the functional bodies. These are available on the GLA's and functional bodies' websites. For further information on these documents, or generally in respect of the budget proposals, please contact:

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## Greater London Authority: Mayor of London

- 2.1. The GLA is a strategic authority with a London-wide role to design a better future for the capital. The Mayor of London sets a city-wide vision of improvement, develops strategies, policies and investment programmes to realise the vision and provides funding and encouragement to help make it a reality. The London Assembly holds the Mayor to account by examining his decisions and actions to ensure he delivers on his promises to Londoners.
- 2.2. For the purpose of budget setting the Mayor of London and London Assembly must be treated as separate constituent bodies. The component budget for the Assembly comprises estimates for its direct expenditure and income and is set out at Section 3. The budget for the Mayor is set out below. It includes expenditure incurred on accommodation in relation to the Assembly's business and goods and services provided or procured for the Authority in general.

### Key deliverables

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

- 2.4. Excluding inter-group items and Group wide business rates retention payments the Mayor is proposing an increase in gross revenue expenditure of £53.1 million in 2018-19 compared to the revised budget for 2017-18. After adding the business rates retention tariff payment, the Mayor's Strategic Investment Fund and other group items expenditures the GLA's gross expenditure is proposed to be £1,253.4 million.
- 2.5. The Mayor's proposed capital plan is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix A. The revenue budget, alongside the GLA Group item budget, is described below.

**Net revenue expenditure and council tax requirement**

- 2.6. After deducting fees, charges, investment income, business rate supplement revenues used to finance Crossrail borrowing, and use of earmarked reserves, net expenditure for 2018-19 for GLA Mayor services is proposed to be £194.8 million.
- 2.7. The £194.8 million net expenditure for services excludes transactions relating to GLA Group items which are dealt with separately in the GLA Group item budget in Table 2 of Appendix A.
- 2.8. The GLA Group items budget includes £113.6 million of forecast business rates income from the London Pool in 2018-19, the allocation of the £73.8 million business rates collection fund surplus and an additional £1.6 million of business rates income. The total funding from these sources is £189.0 million of which £140.0 million is being allocated on the Mayor's Strategic Investment Fund with £47.0 million and £2.0 million being allocated to the Cultural Education District (CED) public sector partner funding and Group collaboration projects respectively.
- 2.9. Also included in the statutory calculation of the gross expenditure totals of the GLA: Mayor component budget in Appendix H is the business rates retention tariff payment of £687.3 million. After adjusting for the expenditure items set out above and the tariff payment, the statutory gross expenditure figure for the GLA is £1,284.5 million. After deducting income from retained business rates, the net council tax and business rates collection fund surplus, and other general income, the statutory council tax requirement for the Mayor is £67.7 million.
- 2.10. Also included in the GLA: Mayor budget is a provision for the repayment of debt and other grant payments for LLDC. The provision is a prudent sum held to cover the forecast gap between the amount of debt that LLDC can take out and its forecast total capital expenditure. See Section 9 for more details.
- 2.11. The GLA: Mayor council tax requirement increases each year from 2018-19 to 2020-21 offset by a reduction in the retained business rates allocated to the GLA: Mayor budget. Overall, the total business rates and council tax allocated to the GLA: Mayor for services falls in each of these years as a consequence of separating the proposed funding allocated by the Mayor to LLDC and OPDC from the GLA: Mayor budget.

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

### Explanation of budget changes

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

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

### Inflation

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

### Savings and efficiencies

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

### Net change in service expenditure and income

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

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

Notes to above table

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



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

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

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

### **Net change in retained business rates**

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

### **Equalities**

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

### **Environmental impact**

- 2.20. The budget prioritises environmental issues and includes the following initiatives, among others:
- tackling London's dangerously polluted air by leading on the delivery of the Mayor's statutory air quality duties;
  - delivering Energy for Londoners to decarbonise London's homes and workplaces while protecting the most vulnerable by tackling fuel poverty and improving energy efficiency;
  - helping secure a future for London's greenspaces, including investing in their improvement and implementing a tree planting programme to increase existing tree cover in the capital;
  - ensuring new developments have a minimal impact on the environment and helping make London and Londoners resilient to severe weather and longer-term climate change impacts; and
  - finalising a new London Environment Strategy (LES), informing policies in other strategies and supporting the impact assessments of all new Mayoral strategies being issued.
- 2.21. The Mayor's budget increases funding for his environment programme which already includes, for example, £10 million earmarked for energy efficiency and helping to tackle fuel poverty. Over the next three years, it is intended to use funds from within the overall environment budget to support action to reduce single-use plastic waste, particularly plastic bottles,

including working with businesses to offer more public access to tap water. For 2018-19 an additional £6 million has been made available for environmental projects, including further action on air quality, single-use plastics and additional funding for green spaces and tree-planting.

### **Reserves**

- 2.22. The balance on the Business Rates Reserve is forecast to be £188.2 million at the close of 2018-19, with the balance on the Mayoral Development Corporation Reserve (MDC) standing at £4.1 million. These two reserves relate to GLA Group item expenditure but are held on the GLA: Mayor's balance sheet.
- 2.23. The Business Rates Reserve is used to manage business rates income risk. Balances on the reserve reflect forecast business rates income for 2017-18 and 2018-19. There are a number of uncertainties concerning the forecast level of business rates receivable in each of these years. The primary uncertainty is the impact of the April 2017 revaluation on the level of appeals by business rates payers that the London billing authorities (the 32 boroughs and City of London) must forecast and provide for in their forecast business rates receivable from ratepayers.
- 2.24. The forecast balance on the Business Rates Reserve reflects current assumptions on the adequacy of the reserve; £188.2 million is around 6 per cent of the GLA's estimated business rates income receivable in 2018-19 gross of its estimated share of the tariff payment payable to the Government through the London pool. This is in line with the largest change seen between the GLA's share of the business rates as forecast by the billing authorities and actual outturn, since the introduction of the localised retained rates system.
- 2.25. With the new pooling arrangements there is a more favourable safety net threshold which would imply a reduction in this reserve. However, as the pool pilot is not guaranteed to continue, there is still uncertainty around the appeals process and the increased business rates income is at this stage based on forecasts, it is appropriate to maintain the Business Rates Reserve at £188.2 million as a contingency, given that the Mayor plans to commit the additional business rates income prudently identified as recurring on an ongoing basis to MOPAC.
- 2.26. The GLA's forecast outturn for 2017-18 is based on billing authorities' most recent forecasts. These forecasts result in a 'surplus' in business rates income in 2017-18, over-and-above the business rates resource allocated to the functional bodies for services. The Mayor plans at this stage to hold this forecast surplus in the Business Rates Reserve as contingency against the risk of business rates income in future years being less than forecast.
- 2.27. Given the degree of uncertainty surrounding forecast business rates income the Mayor has taken the decision that for 2018-19 to 2021-22 it is prudent to forecast an ongoing additional £56.4 million in 2018-19, increasing by 0.7 per cent a year thereafter. Almost all of this additional funding is allocated to MOPAC in 2018-19 and future years. The Mayor has agreed to reimburse TfL in 2018-19 for the £75 million payment it made in 2015-16 representing its share of the GLA Group's business rates deficit from 2013-14 and 2014-15. Effectively this reflects a delayed committed payment to TfL that can now be made, as had been planned, now that the GLA is forecast to reach a cumulative business rates surplus by the close of 2017-18.

- 2.28. The Mayoral Development Corporation (MDC) Reserve which is ringfenced to support LLDC and OPDC is forecast to have a balance of £4.1 million by 31 March 2019. This balance is based on a contingency of £2.4 million held for unexpected costs arising within LLDC and OPDC and the £1.7 million of specific contingency funding that remains unallocated for OPDC activity, after allowing for OPDC's forecast 2017-18 underspend.
- 2.29. Reserves earmarked for GLA: Mayor services are forecast to be £132.4 million at the close of 2018-19 and reduce to £52.8 million by the close of 2021-22 reflecting the planned use of the reserves to support Mayoral priorities. The unused earmarked reserves at the end of 2021-22 includes balances relating to the New Homes Bonus grant that has been set aside to fund regeneration schemes that will be carried out by London Boroughs in future years and funding held for exceptional repairs and maintenance work across the GLA Estate where it is difficult to profile when these sums will be spent. In addition, funding for the Mayor and Assembly elections when they fall due every four years is also included in the earmarked reserves.
- 2.30. The Capital Programme Reserve is forecast to have a balance of £54.9 million at the close of 2018-19 and reduce to £46.1 million by the close of 2021-22; plans are being developed on how this remaining sum will be allocated. The general reserve balance is forecast to remain at £10 million across the period.

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

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

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



### Explanation of budget changes

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

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

### Increase in net revenue expenditure

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

### Increase in resources allocated by the Mayor

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

### Equalities and environmental impact

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

### Reserves

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

## Mayor’s Office for Policing and Crime

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

### Key deliverables

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

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

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

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

### Gross revenue expenditure

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

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

### Net revenue expenditure and council tax requirement

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

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

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

- 4.8 By 2021-22 MOPAC forecast that £325 million in savings and efficiencies will need to be delivered. This comprises £140 million, the cumulative total of savings to be identified over the period to 2021-22, and £185 million, the total of savings and efficiencies that MOPAC has identified over the budget period.
- 4.9 In line with the Government’s assumptions on council tax, the Mayor proposes an increase in the police Band D charge of £12 (5.8 per cent) in 2018-19. The council tax requirement for MOPAC will increase by £49.4 million to £641.4 million, reflecting the precept rise and the impact of the 2.4 per cent growth in the council tax base, confirmed following returns from the billing authorities at the end of January 2018.

### Explanation of budget changes

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

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

### Inflation

- 4.11 MOPAC has made provision for pay and non-pay inflation within the above estimates of £59.6 million. This consists of pay inflation of £49.1 million and non-pay inflation of £10.5 million. The non-pay inflation has been calculated based on a robust review of existing budgets, contract and anticipated inflationary pressures. The pay inflation of £49.1 million includes the additional £20.1 million costs of a 2 per cent pay increase for police officers, staff and Police Community Support Officers (PCSOs) in 2018-19, rather than 1 per cent, as previously assumed.
- 4.12 It also includes the impact of both the 1 per cent consolidated and 1 per cent non-consolidated pay awards announced for 2017-18. The non-consolidated 2017-18 pay award has a part-year impact in 2018-19 of £4.0 million. Given the recommendation of the Police Remuneration Review Body, the 1 per cent non-consolidated element in 2017-18 is prudently assumed to be consolidated in 2018-19 and future years. The Home Secretary’s decision on police officer pay



awards for 2018 is unlikely to be confirmed until summer 2018; until this point, the police pay inflation assumptions for 2018-19 are subject to change.

### **Savings and efficiencies**

- 4.13 The 2018-19 budget incorporates planned savings and efficiencies of £130.3 million. MOPAC is committed to further reform, through its own commissioning budgets and through further transformation in the MPS to improve performance, raise effectiveness and drive further savings.
- 4.14 In order to deliver a balanced budget, savings and efficiencies of £130.3 million have been found, of which £100 million relates to reducing the police officer budget to an establishment of 30,000, delivered primarily by the Strengthening Local Policing Programme and other changes to the specialist crime and operations budget. There are also savings of £13.1 million resulting from investments in digital policing. The remaining £17.2 million of savings identified by the MPS reflect outsourcing elements of the back office, and efficiencies in police staff, including the commercial, strategy and custody functions.
- 4.15 The MPS plans to drive further savings and transformation which will generate efficiencies and provide a better service. This includes investing in equipment to allow more people to report crime over the phone or online, merging police force functions and testing organisational structures to make better use of officer time. The MPS are also rationalising the estate to deliver savings and investment and these savings come through in the later years of the budget period.

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

- 4.16 The budget proposes net change in existing service expenditure of £107.2 million when comparing the revised 2017-18 budget with the 2018-19 budget. This consists of a number of growth items, including new systems, increased business rates bills as a result of the 2017 revaluation, and provision for costs of exiting buildings, arising from the Estates Strategy. It also includes a £15 million dedicated funding pot to fund activity targeted at reducing knife crime.
- 4.17 The Mayor has allocated additional funding from retained business rates to support policing in 2018-19. This provides for £55 million in 2018-19 to reduce previously planned borrowing for capital projects, which leads to a saving in capital financing costs of £3.3 million per year, from 2019-20 onwards. This saving will allow on-going support for MPS’s mental health work in 2019-20 and later years. An initial £2.1 million has been provided for the mental health work in 2018-19 from a one-off allocation of retained business rates. In 2018-19, £5 million from the increased allocation of retained business rates and £13.9 million of council tax income, included within the draft budget the Mayor’s decision to increase the precept, is also allocated to support officer recruitment.
- 4.18 Keeping Londoners safe is the Mayor’s top priority and, from 2019-20, he will invest at least an additional £59 million annually to support an extra 1,000 police officers than would otherwise be affordable by taking an unprecedented step change in the scale of use of income raised from business rates for policing.

- 4.19 The Mayor’s Office for Policing and Crime is responsible for overseeing the finances and performance of the MPS, as well as commissioning a wide range of services to prevent crime and support victims. The proposed net revenue expenditure budget for the Mayor’s Office for Policing and Crime in 2018-19 is £58.1 million. The majority of this budget is used for commissioned services, £42.3 million in 2017-18. The budget associated with MOPAC’s oversight function is unchanged in 2018-19 compared to the year before.
- 4.20 For 2018 19 the Mayor is making available funding from retained business rates for £1 million of additional projects, compared to the draft budget; £0.6 million for a Violence Against Women and Girls (VAWG) campaign, including a Female Genital Mutilation (FGM) campaign, and £0.4 million to fund a new Countering Violent Extremism programme.

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

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

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

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

#### **Equalities**

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

#### **Environmental impact**

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

### Reserves

- 4.25 At 31 March 2018, MOPAC forecasts general reserves balance will total £46.6 million. This level of general reserves is forecast to be maintained to the end of 2021-22. The general reserves are held to cover the cost of unexpected pressures.
- 4.26 The £51.0 million forecast transfer from reserves in 2017-18, includes a £17.7 million underspend as reported at Quarter 2 and the remaining full year forecast police pay underspend to be transferred to reserves, which amounts to £16.5 million. There are a number of assumptions and risks built into the forecast position with uncertain outcomes; which may change the final position and alter the required transfers to and from reserves.
- 4.27 The Met’s earmarked reserves are being held for specific purposes, including investment in its transformation and change programme, and managing one-off impacts to the medium-term budget.
- 4.28 Earmarked reserves are budgeted to reduce to £89.8 million by 2021-22. However, as the exact timing of the use of these reserves is still to be confirmed, the actual call on earmarked reserves will be reviewed over the budget period.

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

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

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

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

## London Fire Commissioner

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

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

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

### Key deliverables

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

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

### Gross revenue expenditure

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

### Net revenue expenditure and council tax requirement

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

- 5.6 The Mayor is proposing a 2.99 per cent increase in the non-policing element of the Band D GLA precept in 2018-19. This reflects the need to address the additional funding pressures faced by the Brigade in future years, including investment deemed necessary following the fire at Grenfell Tower. As a result, the council tax requirement for the LFC increases from £138.2 million in 2017-18 to £148.0 million in 2018-19.
- 5.7 This level of increase in council tax applies both to the precept for the 32 London Boroughs (the adjusted basic amount of council tax) and the separate precept for the City of London (the unadjusted amount of council tax), as the Brigade covers the entire GLA area.
- 5.8 All of the additional income raised from the 2.99 per cent increase in this element of the precept will be allocated to fire and rescue services. However, the amount equivalent to a 1 per cent increase will be offset by a reduction in funding from retained business rates. This business rates funding will be allocated for policing services. Overall, therefore, the LFC will benefit from additional funding equivalent to a 1.99 per cent rise in the non-policing element of the council tax, based on a 2 per cent taxbase growth assumption.
- 5.9 The Mayor is also proposing that LFC's council tax income increases by 1.99 per cent in 2019-20 and future years. On top of the proposed increase in LFC's income in 2018-19, these increases build LFC's share of council tax income. However, the impact of the assumption to budget for a 2 per cent pay award means that LFC are facing a budget shortfall of £6.6 million in 2020-21 and £12.4 million in 2021-22. The Mayor will continue to press the Home Secretary to increase resources allocated to LFC.

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

### Explanation of budget changes

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

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

### Inflation

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

### Savings and efficiencies

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

### New initiatives and service improvements

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

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

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

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

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

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

### **Other adjustments**

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

### **Equalities**

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

### **Environmental impact**

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

### **Reserves**

- 5.20 At 31 March 2018, LFEPA's general reserves are expected to total £13.8 million and are forecast to remain at the same level in each of the following financial years.
- 5.21 It is forecast that LFC will hold £31.6 million of earmarked reserves at 31 March 2018; these reserves will initially increase in 2018-19 and then decrease in each of the following years to £16.2 million by the end of 2021-22, as the budget flexibility reserve is fully drawn down. The expected movements in reserves over the planning period are set out in the table overleaf.

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

5.22 The expected total reserves at the end of each financial year are summarised below. The unused earmarked reserves as at the end of 2021-22 include £5.7 million of funding that was put aside for additional resilience requirements as part of the initial review following the Grenfell Tower fire and terrorist incidents. It also includes £3.7 million for London Safety Plan 2017 implementation activities. These amounts are expected to 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.

<b>Total reserves at end of financial year</b>	<b>Outturn 2016-17 £m</b>	<b>Forecast 2017-18 £m</b>	<b>Budget 2018-19 £m</b>	<b>Plan 2019-20 £m</b>	<b>Plan 2020-21 £m</b>	<b>Plan 2021-22 £m</b>
Earmarked reserves	15.6	31.6	32.0	20.6	16.4	16.2
General reserves	21.5	13.8	13.8	13.8	13.8	13.8
<b>Total</b>	<b>37.1</b>	<b>45.3</b>	<b>45.8</b>	<b>34.4</b>	<b>30.1</b>	<b>30.0</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, maintaining London's main roads and traffic lights, regulating taxis, making London's transport more accessible and promoting walking and cycling initiatives.

### Key deliverables

- 6.2 Full details of TfL's priorities are set out in its Business Plan which was published in December 2017. The key deliverables over the next five years include:
- making transport more affordable by keeping TfL fares at current levels over the Mayor's term, protecting concessions and extending the new Hopper fare to unlimited journeys in any one hour;
  - investing a record £2.2 billion in street schemes and initiatives designed to make walking, cycling and public transport safer, cleaner and more appealing, including funding eight new Cycle Superhighways and transforming major junctions like Waterloo IMAX, Old Street roundabout, Lambeth Bridge north and south, and Highbury Corner;
  - developing Crossrail 2 and the Silvertown tunnel, and working towards releasing TfL land to provide new affordable housing, workplaces and offices across the city;
  - introducing step-free access at five more London Underground stations in 2018-19 and work will be under way at a further 13;
  - continuing significant funding for London's boroughs including through the Liveable Neighbourhoods programme, to transform town centres and neighbourhoods so they are attractive places to walk, cycle and spend time;
  - completing and opening services on the Elizabeth line; and
  - reducing the gender pay gap, and improving diversity in senior management roles, by setting more ambitious targets. More opportunities for career progression will be made available and staff experiences of TfL will be measured, with the aim of eradicating any disparity.

### Gross revenue and capital expenditure

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

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

### Net revenue expenditure and council tax requirement

- 6.5 The Mayor's forecast for TfL's gross revenue expenditure for 2018-19 is £7,103.0 million. After deducting passenger and commercial income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net revenue expenditure for 2018-19 is £1,002.5 million. An analysis of the revenue budget by service area is summarised in the table below.
- 6.6 The Mayor is proposing that TfL's council tax requirement for 2018-19 remains at £6 million. The balance of its net revenue expenditure, after application of £49.4 million of specific grants, is financed by £947.1 million of resources allocated by the Mayor through business rates retention. This includes a one-off £75 million committed payment to compensate TfL for the £75 million reduction in its 2015-16 business rates allocation for its share of the GLA's cumulative business rate deficit at the end of 2014-15. There is no revenue grant for 2018-19 from the Department of Transport (DfT).
- 6.7 TfL is increasingly covering its operating costs from fares and other income and have set the financial objective of breaking-even on the cost of day-to-day operations, including the costs of financing, in 2021-22. Its operating budget is summarised in the table overleaf.

### Explanation of budget changes

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

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

### Inflation

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

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

### Savings

- 6.10 TfL is continuing with the comprehensive review of the organisation and changing the way it works to make sure it delivers the Mayor's vision for London and continues to deliver against the financial objective of breaking-even on the cost of day-to-day operations, including financing costs, by 2021-22.
- 6.11 One year into its cost reduction programme TfL has successfully delivered against budgeted savings in 2016-17 and will continue to deliver in 2017-18 and onwards from 2018-19 having identified opportunities including receiving better value from the supply chain, consolidating buildings and reviewing organisational structure, while protecting safety, services and reliability.

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

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

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

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

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

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

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

#### **New initiatives and service improvements**

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

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

**Debt servicing**

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

**Revenue surpluses and deficits**

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

**Government revenue grants**

- 6.21 TfL's overall income from Government grants will decrease by £248.8 million in 2018-19 compared to the revised 2017-18 budget. The general element of TfL's transport grant has now ceased, meaning London is one of the only major cities in the world to operate a public transport network without government subsidy to cover day-to-day running costs. £49.4 million will be received in specific grant income for revenue purposes.
- 6.22 The Investment Grant to be passported under the 2017-18 business rate devolution pilot is planned to be paid at the level previously approved with HM Treasury in the 2015 autumn statement until 2020-21. The allocation for 2018-19 is £976 million and this is reflected in TfL's capital plan for that year that can be found in Appendix D.

**Retained business rates**

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

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

### **Equalities**

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

### **Environmental impact**

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

### **Reserves**

- 6.27 At 31 March 2018 TfL's general reserves balance is expected to be £150.0 million. This balance is forecast to remain constant through to 31 March 2022. In addition, TfL estimates that it will hold £698.8 million of earmarked reserves at 31 March 2018 which is estimated to increase to £718.2 million by 31 March 2022 based on TfL's planned profile of income and expenditure.
- 6.28 Earmarked reserves increase in 2018-19, as a result of the timing of property and asset receipts. These are then drawn down over the following years to fund the investment programme. Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended on a number of capital programmes as part of the Investment Programme. As the earmarked reserves set out in the table below are held for capital projects, the forecast reserve movements do not appear in the operational budget table under paragraph 6.7.
- 6.29 TfL maintains a general fund to ensure liquidity and protect from short-term fluctuations in cash requirements.

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

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

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

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

## London Legacy Development Corporation

- 7.1 The London Legacy Development Corporation (‘the Legacy Corporation’) is responsible for promoting and delivering physical, social, economic and environmental regeneration in the Queen Elizabeth Olympic Park (QEOP) and surrounding area. In particular, the Legacy Corporation aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control and supporting and promoting the aim of increased social mobility in surrounding communities.
- 7.2 Since the London 2012 Olympic and Paralympic Games, the Legacy Corporation has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. The Corporation also works in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. Two such housing schemes are under contract, one at Chobham Manor and one at East Wick and Sweetwater. Further work includes delivering the Cultural and Education District (CED), new social and transport infrastructure, and working with the host boroughs and other partners to create economic opportunity and support local people and businesses, as they seek to access it.

### Key deliverables

- 7.3 During 2018-19 the LLDC’s revenue and capital budgets will be deployed to deliver the following objectives:
- start on site at East Wick and Sweetwater;
  - initiate the procurement of a Joint Venture (JV) partner to deliver the Stratford Waterfront residential development;
  - deliver the QEOP ‘East Works’ jobs, skills and apprenticeships programme;
  - achieve 6 million visitors to the Park;
  - Stratford Waterfront planning application submitted;
  - final business case for Cultural and Education District approved by HM Government;
  - development of smart mobility living lab on the Park and in Greenwich (funded by the Government’s Connected and Autonomous Vehicle test bed funding);
  - work towards improved financial sustainability of the Stadium; and
  - commence public consultation on Local Plan review.

### Cultural and Education District (CED)

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

### London Stadium

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



### Gross revenue and capital expenditure

- 7.6 Gross revenue expenditure in 2018-19 is budgeted to be £39.0 million including estimated capital financing costs of £13.2 million, £25.8 million net of financing costs.
- 7.7 Gross revenue expenditure has decreased by £2.0 million from 2017-18 revised budget due to gross savings, efficiencies and other expenditure reductions of £3.0 million and an increase of £1.0 million in financing costs
- 7.8 The proposed capital programme for the LLDC for 2018-19 totals £98.2 million, incorporating £12.5 million of rollover from the 2017-18 outturn. The capital programme is set out in Section 9 and in more detail in Appendix E. The increase is due to greater expenditure on the stadium and a change in the expenditure profile for the CED. Its funding is a key component in the GLA: Mayor capital programme and its Capital Strategy – see Section 9.

### Net revenue budget and council tax requirement

- 7.9 Net revenue expenditure in 2018-19 is budgeted to be £33.0 million, £19.8 million net of financing costs.
- 7.10 Net revenue expenditure has decreased by £3.4 million from the 2017-18 revised budget due to net savings, efficiencies other cost and revenue movements of £4.4 million and by a £1.0 million increase in financing costs. Its revenue budget is summarised in the table overleaf.

### Explanation of budget changes

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

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

### Inflation

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

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

### Savings and efficiencies

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

### Net change in existing service expenditure

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

**Change in GLA funding**

- 7.15 The LLDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve. From 2018-19 onwards, funding for LLDC is identified in the objective analysis table above by its sources of funding, business rates and Mayoral Development Corporation Reserve. Core GLA grant funding in 2018-19 and 2019-20 is £16.8 million, reducing to £16.0 million in 2020-21.
- 7.16 The LLDC's reserves have been subsumed into the GLA. The GLA will fund the historic aggregate underspends carried forward of up to £7.0 million over the period 2018-19 to 2020-21, including £3.0 million to be applied in 2018-19, based on the current outturn forecast for 2017-18. There are current estimated shortfalls in savings and efficiencies of £3.9 million and £2.5 million in 2020-21 and 2021-22 respectively. In light of LLDC's delivery of savings and efficiencies, GLA funding for these years will be re-assessed at the time.

**Equalities**

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

**Environmental impact**

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

**Reserves**

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

## Old Oak and Park Royal Development Corporation

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

### Key deliverables

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

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

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

### Gross revenue and capital expenditure

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

### Net revenue budget and council tax requirement

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

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

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

### Explanation of budget changes

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

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

### Savings and efficiencies

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

**New initiatives and service improvements**

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

**Change in GLA funding**

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

**Equalities**

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

**Environmental impact**

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

**Reserves**

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

## Final Draft Capital Spending Plan and Borrowing Limits

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

### Capital Strategy

- 9.2 The Government and the Chartered Institute for Public Finance and Accountancy (CIPFA) are proposing changes to how authorities must report their Capital Spending Plans. These include a requirement to set out a Capital Strategy and for the Chief Financial Officer to report on the risks arising from this strategy. The changes are expected to include more flexibility in reporting on the Prudential Code which will be set out in more detail in the Authority's Treasury Management Strategy, following publication of final guidance from CIPFA. These changes are to take effect for 2018-19 and set out below is an initial response, together with more detail for each member of the GLA Group. In future years the Capital Spending Plan and Capital Strategy will be integrated.
- 9.3 A key element of the GLA's Capital Strategy is its support for the London Legacy Development Corporation and its risk exposure as the LLDC's principal funder and 'lender of last resort.' The development of Queen Elizabeth Olympic Park requires upfront investment which will generate receipts over the long term. Hitherto the GLA has therefore provided LLDC's net capital requirement as loan funding on the basis that it will be fully repaid from development receipts.
- 9.4 Over the last year LLDC has undertaken a detailed review of its long-term delivery plans and the underlying assumptions, including projections of housing price and tender price inflation. There are also increases in the net capital requirement driven largely by additional spend on the Stadium, reductions in receipts on the Cultural and Education District (CED) and projection of corporation tax. If the whole of this capital requirement was to be met from borrowing the peak level of LLDC debt would increase to an estimated £822 million in 2022-23 - a level that the LLDC and GLA do not consider to be prudent.
- 9.5 To reduce the level of debt, the Mayor's final draft capital spending plan therefore includes changes to the way LLDC is funded by the GLA. Firstly, as the GLA is taking the risk of cost overruns on the CED project a tranche of the funding for this project will be via grant rather than loan as general prudent management. Secondly, the joint ventures that LLDC would have invested in, will now be undertaken directly by the GLA through the GLA's Land and Property company given that there is an element of risk which it would not be appropriate to increase LLDC's outstanding debt level for. The estimated peak level of borrowing to LLDC from these proposals would reduce to £591 million. However, in light of the potential volatility of receipts to repay debt the GLA proposes to restrict the borrowing limit to a maximum of £520 million. This limit will be kept under review and updated annually.

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

### **Key deliverables**

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

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

### **Final draft capital spending plan**

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



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

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

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

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

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

### Greater London Authority

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

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

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

- 9.12 The cashflow projection is based upon current knowledge and understanding of interventions in the land and property market that could be led by the GLA. These interventions could result, for example, in land assembly or direct land acquisitions between now and 2020. It should be recognised that the land and property market is a fast-paced environment, whereby transactions take place within timescales that are often outside the control of public authorities and are subject to the uncertainties of the prevailing economic climate. As a high level indication of the anticipated spend within the land fund over the next three years, the cashflow projection should therefore be treated as such.
- 9.13 Details of the GLA's Capital Plan to 2018-19, together with the financing costs of the Programme, are set out at Appendix A. Details of the GLA's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

#### **Mayor's Office for Police and Crime**

- 9.14 MOPAC's capital programme of £670.8 million in 2018-19 is critical to the modernisation of policing's IT infrastructure and estate, both of which will deliver revenue savings in years to come. The Capital Programme includes funding for the maintenance and refurbishment of key buildings, delivery of the custody centre programme, technology projects in support of frontline policing, infrastructure modernisation and the vehicle replacement programme.
- 9.15 A detailed summary of MOPAC's Capital Plan to 2021-22, together with the financing costs of the programme, is set out at Appendix B. Details of MOPAC's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

#### **London Fire Commissioner**

- 9.16 The Mayor proposes that LFC's capital plan should increase by £23.7 million from LFEPA's current spend forecast of £18 million in 2017-18 to £41.7 million in 2018-19. The capital plan for 2019-20 is £41.2 million; reducing to £22.5 million in 2020-21 and decreasing further to £21.4 million in 2021-22.
- 9.17 As set out in Part 1 of the Final Draft Budget, the GLA will provide LFC with £5.9 million of retained business rates in both 2018-19 and 2019-20 to provide funding for LFC's capital programme. This reflects the fact that the expected capital receipt from the sale of Southwark Fire Station is less than previously forecast. This funding is expected to be repaid from the proceeds of the sale of its former headquarters building at Albert Embankment, which is not currently shown in LFC's capital spending plan.
- 9.18 The main elements of LFC's capital plan for the next two years of £82.9 million are:
- programmed replacement of the brigade's fleet of £39 million;
  - investment into LFC's estate, including energy efficiency works, of £19.9 million;
  - a new training centre for the delivery of high rise training of £15.5 million;
  - a new distribution centre and protected equipment facility of £3.5 million; and

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

### **Transport for London**

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

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

9.20 In addition, TfL will:

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

### **London Legacy Development Corporation**

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

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

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

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

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

### **Cultural and Education District (CED)**

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

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

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

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

**Stadium**

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

**Risks**

- 9.28 Further delays in receipts from the development sites form a risk to the timing of the income included in the final draft Capital Spending Plan. Although the approach to the phasing of receipts has been more prudent, the delivery of receipts is beyond the control of LLDC and sits with development partners.
- 9.29 The assumption for housing price inflation in the current capital plan period (April 2018 – March 2022) varies between 3.3 per cent and 4.2 per cent per annum in line with a forecast from Knight Frank. A fall of 1 per cent to would have a total impact of c.£2 million on receipts in this period.
- 9.30 Details of LLDC's Capital Plan to 2021-22, together with the financing costs of the programme and the Authorised Limit and Operational Boundary for external debt are set out at Appendix E. The Mayor proposes that capital support to LLDC should be provided as loan funding and grants to bridge the funding gap between the cost of the infrastructure required to enable the development of the Queen Elizabeth Olympic Park (including the CED and Stadium costs) and the future receipts from land sales, contributions from a variety of sources to fund the CED (including contributions from partners and philanthropic funding), which will enable the LLDC to repay its borrowings. The total support from loan and grant funding is estimated to be: £43.1 million in 2018-19; £27.3 million in 2019-20; £58.3 million in 2020-21; and £65.3 million in 2021-22.

## Greater London Authority: Mayor and London Assembly

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

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

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

**GLA Group items**

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







**Table 4: GLA: Mayor - Draft capital spending plan**

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



## Mayor's Office for Policing and Crime

**Table 1: MOPAC - Subjective analysis**

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

**Table 2: MOPAC - Draft capital plan**

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

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

Capital financing costs	2018-19 £m	2019-20 £m	2020-21 £m	2021-22 £m
<b>Total</b>	<b>97.2</b>	<b>53.9</b>	<b>69.3</b>	<b>80.3</b>

**Table 4: MOPAC - Authorised limit for external debt**

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

**Table 5: MOPAC - Operational limit for external debt**

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

## London Fire Commissioner

**Table 1: LFC - Subjective analysis**

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



**Table 2: LFC - Draft capital plan**

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

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

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

**Table 4: LFC - Authorised limit for external debt**

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

**Table 5: LFC - Operational limit for external debt**

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

# Transport for London

**Table 1: TfL - Subjective analysis**

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

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

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

**Table 2: TfL - Draft capital plan**

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

**Table 3: TfL – London Underground draft capital plan**

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

**Table 4: TfL – Rail draft capital plan**

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

**Table 5: TfL – Surface Transport draft capital plan**

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

**Table 6: TfL – Corporate draft capital plan**

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

**Table 7: TfL - Capital financing costs**

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

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

**Table 8: TfL - Authorised limit for external debt**

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

**Table 9: TfL - Operational limit for external debt**

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

**Table 10: Application of net congestion charging revenue by TfL**

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





**Table 2: LLDC - Draft Capital Plan**

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

**Table 3: LLDC - Authorised limit for external debt**

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

**Table 4: LLDC - Operational limit for external debt**

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



## GLA Group Four-Year Efficiency Plan

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

### **Scrutiny of savings and efficiencies programmes across the GLA Group**

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

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

### **Transparency and performance information**

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

### **Benefits of the four- year efficiency plan**

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

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

## Savings and Efficiencies including Shared Services across the GLA Group

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

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

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

### **The GLA Group collaborative procurement function**

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

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

### **The GLA Group Investment Syndicate (GIS)**

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

### **Using technology to improve efficiency**

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

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

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

### **Business rates and council tax maximisation programmes**

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

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

### **Summary of other key shared service arrangements**

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

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

### Savings and efficiencies across the GLA Group

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

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

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

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

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

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

### Council tax requirement and Band D council tax

	Net expenditure after use of reserves	Specific Government grants	General Government grants	Business rates	Council tax requirement	Band D amount
	£m	£m	£m	£m	£m	£
<b>Mayor's Office for Policing and Crime</b>	<b>3,038.8</b>	<b>423.3</b>	<b>1,882.1</b>	<b>92.0</b>	<b>641.4</b>	<b>218.13</b>
GLA Mayor	1,071.2	0.0	0.0	905.7	165.4	29.76
GLA Assembly	7.8	0.0	0.0	5.2	2.6	0.89
LFC	399.0	12.2	0.0	238.7	148.0	50.22
TfL	1,002.5	49.4	0.0	947.1	6.0	2.04
LLDC	3.6	0.0	0.0	3.6	0.0	0.00
OPDC	5.1	0.0	0.0	5.1	0.0	0.00
CT and BR collection fund surplus	-97.7	0.0	0.0	0.0	-97.7	-6.81
<b>Total other services</b>	<b>2,391.5</b>	<b>61.6</b>	<b>0.0</b>	<b>2,105.4</b>	<b>224.3</b>	<b>76.10</b>
<b>Total GLA Group</b>	<b>5,430.3</b>	<b>484.9</b>	<b>1,882.1</b>	<b>2,197.4</b>	<b>865.7</b>	<b>294.23</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 (for example Home Office police grant and TfL's operating grant which ceases from 1 April 2018) and specific grants (including for example Home Office police funding for counter-terrorism, Fire revenue grant and TfL Overground grant);
- retained business rates; and
- each body's share of the council tax precept.

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

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

### Funding Allocations from Sources over which the Mayor has Direct Control

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

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

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

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

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

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

### **Rates retention funding**

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

**Forecast of business rates income in 2018-19**

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

**Council tax calculations**

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

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

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

**Council tax requirement for police services**

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

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

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

**Council tax requirement for other services**

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

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

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

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

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

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

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

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

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

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

**Council tax referendum thresholds**

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

<sup>1</sup> “Principles for 2018-19 for the Greater London Authority in paragraph 2 (b)

4. For 2018-19, the GLA’s relevant basic amount of council tax is excessive if –

(a) the GLA’s unadjusted relevant basic amount of council tax for 2018-19 is 3%, or more than 3%, greater than its unadjusted relevant basic amount of council tax for 2017-18; or (b) the GLA’s adjusted relevant basic amount of council tax for 2018-19 is more than £14.21 greater than its adjusted relevant basic amount of council tax for 2017-18. ”

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

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

## Funding Assumptions and Future Changes to Business Rates

### Introduction

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

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

### 2018-19 Final Local Government and Fire Finance Settlement

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Council tax assumptions**

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

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

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

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



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

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

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

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

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

### **Conclusion**

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

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



## Budget timetable and key dates

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

## Summary of Changes Compared to Draft Budget

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

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

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

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

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

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

[END]