
GLA Group Budget Proposals and Precepts 2017-18

Consultation Document

December 2016

COPYRIGHT

**Greater London Authority
December 2016**

Published by
Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA
www.london.gov.uk
enquiries 020 7983 4100
minicom 020 7983 4458
Copies of this report are available
from www.london.gov.uk

CONTENTS

| | |
|---|-----------|
| Mayor's Foreword | 2 |
| Section 1: Introduction and Overview | 4 |
| Section 2: Greater London Authority: Mayor of London | 13 |
| Section 3: Greater London Authority: London Assembly | 20 |
| Section 4: Mayor's Office for Policing and Crime | 23 |
| Section 5: London Fire and Emergency Planning Authority | 27 |
| Section 6: Transport for London | 32 |
| Section 7: London Legacy Development Corporation | 39 |
| Section 8: Old Oak and Park Royal Development Corporation | 45 |
| Section 9: Draft Capital Spending Plan and Borrowing Limits | 48 |
| Appendix A: GLA: Mayor of London and London Assembly | 54 |
| Appendix B: MOPAC | 60 |
| Appendix C: LFEPA | 63 |
| Appendix D: TfL | 66 |
| Appendix E: LLDC | 71 |
| Appendix F: OPDC | 73 |
| Appendix G: Savings and Efficiencies including Shared Services | 74 |
| Appendix H: Summary of Revenue Expenditure and Financing | 78 |
| Appendix I: Funding Assumptions and Future Changes to Business Rates | 85 |
| Appendix J: Key Dates | 93 |

My first budget as Mayor of London sets out my plans to ensure that all Londoners get the opportunities that our wonderful city gave to me. Crucially, it is a budget designed to deliver real results for Londoners.

This budget supports London's future growth and success, entrepreneurial spirit, thriving economy, extraordinary diversity and creativity, tolerance and openness to the world. It is built around my vision of a London where nobody feels left behind and where everyone has the opportunities they need to fulfil their potential.

Specifically, my budget sets out:

- a record-breaking investment of £3.15 billion to support 90,000 new genuinely affordable homes in the capital over the next five years;
- a freeze on all TfL fares for four years, while protecting concessions and extending the new Hopper bus fare;
- to maintain the strategic target of 32,000 police officers for London against the backdrop of significant Government cuts to police funding for London, with real neighbourhood policing for all and better support for victims;
- to tackle London's filthy air that is resulting in 9,400 deaths every year by doubling the amount spent on improving air quality from £425 million committed by the previous Mayor to £875 million through to 2021-22;
- record investment in modernising our transport infrastructure including the biggest Tube capacity growth London has ever seen, extending the London Overground and Northern lines, starting planning for the Bakerloo Line extension and progressing new east London river crossings;
- to continue to work with London's businesses, investors and innovators to ensure London's key sectors are protected and Londoners' economic opportunities are maximised during the forthcoming negotiations to leave the European Union;
- to launch a Skills for Londoners taskforce, to ensure skills training meets the needs of London's economy.
- a proposed additional commitment of £4 million on culture as a top priority for London, to fund new projects including the London Borough of Culture, Creative Enterprise Zones and a vision for 24-hour London;
- a shift towards more active and healthier travel for Londoners, by making walking and cycling easier, safer and more attractive;
- a target to dispatch a fire engine within 10 minutes to any incident anywhere in London 90 per cent of the time. This is an improvement on the current standard;
- a commitment to speed up the delivery of housing on the Queen Elizabeth Olympic Park; and
- support for London's largest opportunity area through the Old Oak and Park Royal Development Corporation.

Against a background of ever-tightening resources from Government, I will not tolerate waste and inefficiency. I have thoroughly reviewed and challenged spending plans across the GLA Group - in particular with TfL achieving financial breakeven on their operating account.

I am determined to keep Londoners safe by maintaining the number of police officers on London's streets. The Government is making significant cuts in the Met's funding for next year. This is after the Met has made £600 million of cuts since 2013 and £420 million of future cuts are required over the next four years. The previous Mayor, Boris Johnson, made the political decision to cut the police precept – in the same year as the Mayoral election. This was despite a warning by the Government that if he did not provide additional funding from council tax, it would result in a future cash cut to police funding.

In response, the budget proposes to close this gap, partially through proposals announced last week to increase the policing share of council tax bills by an average of 8p a week from April 2017 in order to help maintain police officer numbers across London. Not doing this would lead to a fall in police numbers and is in line with the plans of Police and Crime Commissioners across the UK. My Band D precept will therefore increase from £276 a year in 2016-17 to £280.02 in 2017-18.

There are many uncertainties facing London over the years ahead, and therefore also in the assumptions made in my budget. The impact of Brexit on London's economy remains unclear. Devolution to London is a work in progress. Appeals against business rates are extremely difficult to predict. These uncertainties will become clearer over my first term and will result in revisions to these Budget proposals. However, I look forward to receiving and considering your comments on my first Budget and concluding the detail in the New Year.



Sadiq Khan
Mayor of London

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); Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Oak Common and Park Royal Development Corporation (OPDC).
- 1.2 The purpose of this Document is to consult the London Assembly, functional bodies, London Boroughs, the Common Council of the City of London and other interested parties, such as businesses, on the Mayor's proposed Revenue Budget and Draft Capital Spending Plan for 2017-18.
- 1.3 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

- 1.4 The Mayor's key objective in this Budget is to support London's further success, entrepreneurial spirit, thriving economy, extraordinary diversity and creativity, tolerance and openness to the world. Amongst the key deliverables in this Budget are, as follows, to:
 - plan for a record-breaking investment of £3.15 billion to support 90,000 new affordable homes in the capital;
 - develop new strategies, including a new London Plan and a transport strategy, to shape London's long term future in a way that works for all Londoners;
 - fund new and refocussed projects to promote and enhance London's economic strengths, tackle social integration, and to improve London's environment;
 - maintain the strategic target of 32,000 police officers for London;
 - provide neighbourhood policing for all and better support for victims. Plans includes a knife-crime crackdown and an overhaul of child protection in the capital;
 - dispatch a fire engine within 10 minutes to any incident anywhere in London 90 per cent of the time. This is an improvement on the current standard;
 - tackle London's filthy air that is resulting in 9,400 deaths every year by doubling the amount spent on improving air quality from £425 million committed by the previous Mayor to £875 million through to 2021-22;
 - make transport more affordable by keeping TfL fares at current levels, protecting concessions and extending the new Hopper fare over the Mayor's first term;
 - adapt bus services to meet changing demand across London without reducing the network overall and improving journey times and reliability;
 - increase the capacity on Underground and rail services, introducing the new Crossrail line and expanding the Overground, Docklands Light Railway and tram networks;

- shift towards active and healthier travel for Londoners, with reduced traffic, making walking, cycling and public transport safer and more attractive;
- commit to speed up the delivery of housing on the Queen Elizabeth Olympic Park; and
- support for London’s largest opportunity area through the Old Oak and Park Royal Development Corporation.

Overall gross revenue and capital expenditure of the GLA Group

1.5 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2017-18 compared to 2016-17.

| Total gross revenue and capital expenditure | 2016-17 | 2017-18 | Change | Change |
|--|-----------------|-----------------|---------------|---------------|
| | £m | £m | £m | % |
| <i>Revenue:</i> | | | | |
| GLA: Mayor | 344.8 | 281.4 | -63.4 | -18% |
| GLA: Assembly | 7.2 | 7.4 | 0.2 | 3% |
| Mayor’s Office for Policing and Crime (MOPAC) | 3,318.1 | 3,245.7 | -72.4 | -2% |
| London Fire and Emergency Planning Authority (LFEPA) | 434.2 | 423.4 | -10.8 | -2% |
| Transport for London (TfL) | 6,830.6 | 6,978.0 | 147.4 | 2% |
| London Legacy Development Corporation (LLDC) | 41.5 | 39.9 | -1.6 | -4% |
| Old Oak and Park Royal Development Corporation (OPDC) | 9.2 | 7.3 | -1.9 | -21% |
| Total revenue (GLA Group services) | 10,985.6 | 10,983.1 | -2.5 | 0% |
| Add business rates retention tariff and levy payments to CLG to support local government services outside London | 364.5 | 762.5 | 398.0 | 109% |
| Total revenue (including tariff payment) | 11,350.1 | 11,745.6 | 395.5 | 3% |
| <i>Capital:</i> | | | | |
| GLA: Mayor | 659.8 | 643.3 | -16.5 | -3% |
| Mayor’s Office for Policing and Crime (MOPAC) | 238.3 | 340.0 | 101.7 | 43% |
| London Fire and Emergency Planning Authority (LFEPA) | 34.8 | 53.8 | 19.0 | 55% |
| Transport for London (TfL) | 3,553.9 | 2,969.4 | -584.5 | -16% |
| London Legacy Development Corporation (LLDC) | 109.1 | 104.0 | -5.1 | -5% |
| Total capital | 4,595.9 | 4,110.5 | -485.4 | -11% |
| Grand total capital and revenue | 15,946.0 | 15,856.1 | -89.9 | -1% |

1.6 The gross expenditure for the GLA, Assembly and each functional body is funded through a combination of resources directly controlled and allocated by the Mayor and other sources of income such as specific government grants and fares income. As such, increases or decreases in gross expenditure do not necessarily indicate increases or decreases in the allocation of resources controlled by the Mayor.

- 1.7 The large increase in the tariff and forecast levy payment in 2017-18 is due to the impact of the 2017 business rates revaluation applied to a higher GLA share of locally collected business following the proposed transfer of the TfL capital grant (formerly paid by the Department for Transport) and Revenue Support Grant (formerly paid by the Department for Communities and Local Government) into the business rates retention system.
- 1.8 Revenue figures for 2016-17 in the table at paragraph 1.5 reflect the revised budget position, except for OPDC where the forecast outturn has been used. The capital figures for 2016-17 reflect forecast outturn data as this provides a more meaningful comparator in each case. GLA revenue expenditure is gross of the £32.4 million and £12.2 million collection fund surplus estimate and forecasts in 2016-17 and 2017-18 respectively.
- 1.9 Overall gross revenue and capital expenditure has decreased by £89.9 million in 2017-18 from 2016-17 albeit total revenue expenditure excluding the business rates retention tariff and forecast levy payment to the Government is broadly unchanged. The net decrease in the Group's capital expenditure in 2017-18 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 and LFEP. Despite the Mayor's increased allocation of his resources to MOPAC, there is a decrease in their gross revenue expenditure. There is, however, an overall increase in TfL's gross revenue expenditure with reductions for the other functional bodies.
- 1.10 After allowing for fares, charges, other income and use of reserves, gross revenue expenditure of £11,745.6 million for 2017-18 (including the rates retention tariff and estimated levy payments totalling £762.5 million) translates into net expenditure to be financed from government grants, retained business rates and the council tax precept of £5,380.7 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 Band D precept paid by residents of the 32 London Boroughs by £4.02 in 2017-18 to £280.02 in order to provide additional resources to support front line policing. This is in accordance with the Home Office expectations around police funding which assume that the precepts for all English police forces are increased by 1.99 per cent. The Mayor's provisional 2017-18 precept for the Common Council of the City of London which is outside the Metropolitan Police district remains at the same £73.89 level as in 2016-17. More detailed information about the precept and its calculation are included in Appendix H.

- 1.13 The forecast consolidated council tax requirement for 2017-18 based on these council tax figures is £801.3 million. Details of the component council tax requirements for each member of the GLA Group for 2017-18, and indicative figures for the following three years, are set out below.

| Component council tax requirements | Approved 2016-17 £m | Proposed 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|------------------------------------|------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| GLA (Mayor) | 60.8 | 65.0 | 69.3 | 73.6 | 78.0 |
| GLA (Assembly) | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| MOPAC | 566.7 | 589.5 | 601.2 | 613.3 | 625.6 |
| LFEP A | 138.2 | 138.2 | 138.2 | 138.2 | 138.2 |
| TfL | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| LLDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OPDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Consolidated council tax requirement | 774.3 | 801.3 | 817.4 | 833.7 | 850.4 |
| <i>Total Band D council tax payable in:</i> | | | | | |
| 32 London Boroughs | £276.00 | £280.02 | £280.02 | £280.02 | £280.02 |
| Common Council of the City of London | £73.89 | £73.89 | £73.89 | £73.89 | £73.89 |

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

- 1.14 The above table assumes a 2 per cent increase in the council tax base. This means the level of funding provided for policing via the council tax requirement is £22.8 million or 4 per cent higher in 2017-18 compared to 2016-17. This taxbase buoyancy also explains the assumed increase in Council Tax income for MOPAC in 2018-19 and subsequent years. A council tax collection fund surplus of £12.2 million is estimated for 2017-18 but due to uncertainty on the overall financial situation facing the Authority no surplus is assumed at this stage for subsequent years.
- 1.15 The Band D precept level is assumed at this stage to remain the same in 2018-19, 2019-20 and 2020-21. Decisions on the actual precept level for 2018-19 onwards will be taken by the Mayor in due course once the Home Office has confirmed the funding settlements for those years for police and fire services and has set out its assumptions on council tax levels. The effect of the 2 per cent taxbase buoyancy for police and non police services is reflected at this stage in the MOPAC and GLA (Mayoral) component budgets.
- 1.16 The council tax requirement for 2017-18 and the Band D precept is subject to change before the Mayor's final budget is confirmed in February. This is because the budget will need to be updated to take into account the council taxbase and business rates income forecasts for 2017-18 as well as the GLA's share of the collection fund surplus or deficits from both revenue streams for 2016-17 which will be provided by the 33 London billing authorities by 31 January 2017. In addition the Government may revise the local government, fire and police grant settlements before they are approved by Parliament. The impact of these numbers once confirmed will be reflected in the Mayor's final draft budget to be issued in February.

- 1.17 There is potential for there to be a significantly greater degree of variation between the forecasts set out above compared to earlier years as the GLA's share of retained business rates income is proposed to increase from 20 per cent to 37 per cent. This reflects the proposed transfer of TfL's £960 million capital investment grant and the Mayor's £148.5 million revenue support grant for fire services and the GLA into the business rates retention system from April 2017. Due to the combined impact of these proposed changes and the 2017 revaluation in London the GLA's business rates income before tariff payments will increase from £1.3 billion to over £3.0 billion. 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 2016 and this is likely to exceed £300 million in 2017-18 due to the GLA's higher business rates share.
- 1.18 Forecast Council Tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2017-18 including government grants and fare revenues are summarised below:

| Spending plans and council tax requirements | 2017-18 | 2017-18 |
|--|--------------|-----------|
| | £m | % |
| Spending plans | 11,745.6 | 100% |
| <i>Less:</i> | | |
| Fares income | 4,877.4 | 42% |
| Home Office Police General and Formula Grant | 1,882.0 | 16% |
| Other general income | 1,424.7 | 12% |
| Retained business rates | 1,195.2 | 10% |
| Business rates income used to fund tariff and levy payment to DCLG | 762.5 | 6% |
| GLA Transport Grant (general element) | 228.0 | 2% |
| Home Office specific grants | 420.1 | 4% |
| Other specific Government grants | 79.4 | 1% |
| Use of reserves | 62.8 | 1% |
| Net billing authority collection fund surplus for council tax | 12.2 | 0% |
| Consolidated Council tax requirement for GLA Group | 801.3 | 7% |

1. Retained business rates include sums allocated to the Business Rates Reserve. The business rates income received from London billing authorities which is forecast to be paid to the Government via the tariff and levy is shown separately.

Business rates retention and Revenue Support Grant

- 1.19 Appendix H sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations made by the Mayor. This reflects the impact of the proposed transfer of the GLA's revenue support grant into business rates retention. Appendix I sets out the technical assumptions underpinning the planned funding allocations. The specific allocations – where applicable – to each functional body are addressed in the relevant sections.

Business rates retention tariff and levy payments to the Government

- 1.20 The GLA is a pilot authority for the planned roll out of 100 per cent business rates retention by 2019-20. On the basis of the agreement reached between the Mayor, London Councils and the Secretary of State it is expected that the GLA's share of retained business rates will be increased in 2017-18 from 20 per cent to 37 per cent offset by a reduction in the Government's central share from 50 per cent to 33 per cent. This reflects the proposed impact of rolling in of TfL's £960 million investment (capital) grant and the GLA's £148.5 million revenue support grant into the rates retention system. Additional retained business rates to reflect this is allocated to TfL's capital spending plan set out in section 9 and Appendix D. The share of retained business rates for the 33 London billing authorities remained unchanged in 2017-18 at 30 per cent. Formal confirmation of the GLA's pilot is expected in the final local government finance settlement in early February. The necessary changes to secondary legislation to implement this will be laid before Parliament shortly thereafter.
- 1.21 Under the business rates retention system the GLA is required to make a fixed tariff payment to the Department for Communities and Local Government which is updated annually by inflation. This represents the difference between its share of business rates income and its funding baseline.
- 1.22 This budget assumes that the tariff payment will increase by £361.6 million (101 per cent) from £358.6 million in 2016-17 to £720.2 million in 2017-18. This reflects the GLA's 37 per cent share of the estimated £900 million increase in business rates liabilities in London as a result of the 2017 revaluation adjusted for September 2016 RPI inflation of 2 per cent. These additional sums payable by ratepayers gross of transitional relief are not retained locally under the business rates retention system as revaluations are revenue neutral nationally. The additional tariff payment will therefore be transferred to support local authorities in the rest of England experiencing a reduction in business rates income as a result of the revaluation.
- 1.23 Under the business rates retention system it is also estimated that in 2017-18 the GLA will be required to pay 25.5 per cent of any real terms growth secured as a levy payment to the Secretary of State – a figure which is expected to be confirmed in the final local government finance settlement. Based on the forecasts assumed in this Consultation Budget it is estimated that the levy payment for 2017-18 will be approximately £42.3 million compared to a forecast of £5.9 million for 2016-17. These are indicative estimates and the 2017-18 figures will be revised before the final draft budget to reflect the forecasts supplied by the 33 billing authorities by the end of January. The actual levy payment to the Secretary of State, if applicable, will be based on the 2017-18 business rates outturn data provided by billing authorities in September 2018. Unlike the tariff no levy payments are transferred to the Secretary of State until after the outturn data has been received.

- 1.24 The GLA's tariff payment is expected to be adjusted from 2018-19 onwards to deliver the TfL capital grant allocations set out in the 2015 Spending Review and the agreed four year settlement for revenue support grant. In addition, any other funding or functions devolved, such as Adult Education and skills funding from 2019-20 announced in the 2016 Autumn Statement, will also be adjusted for by a revision to the tariff payment and/or the GLA's share of business rates. Decisions on the final split of business rates income between the 33 London billing authorities and the GLA following the introduction of 100 per cent business rates retention from 2019-20 will be determined by the Mayor, borough Leaders and London Councils in consultation with the Government.
- 1.25 Further details on business rates retention and the funding assumptions made in this Budget are set out in Appendices H and I.

Funding allocations from sources over which the Mayor has direct control

- 1.26 The table below summarises the proposed funding allocations from retained business rates and Council Tax to the GLA, Assembly and the relevant functional bodies for 2017-18 compared to the 2016-17 original allocations. 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 draft budget proposals. Further details on the Business Rates Reserve can be found in Section 2.
- 1.27 The allocations are subject to change to reflect the final local government, fire and police settlements to be approved by Parliament, the returns submitted by London billing authorities forecasting their business rates income and council taxbases for 2017-18 and the GLA's share of their forecast surpluses or deficits compared to their original forecasts for both business rates and Council Tax income for 2016-17.
- 1.28 The table details the Mayor's allocation of business rates for functional body services. Business rates transactions within the Business Rates Reserve (i.e. the levy and tariff payment and any collection fund deficits), which are distinct from business rates allocations for services, are dealt with separately within the GLA Group item budget in Table 2 of Appendix A. In the statutory calculations for the GLA Mayor component budget in Appendix I these business rates payments are aggregated with the assumed council tax collection fund surplus to determine the gross expenditure figure. The business rates allocation for the GLA: Mayor in the table below also includes sums that will be used to fund LLDC and OPDC service expenditure as these have to be accounted for within GLA Mayor component budget but as these are intra group transactions they are excluded from the statutory calculations for the GLA and reflected in those functional bodies figures instead to avoid double counting.
- 1.29 The table below shows that the principal changes in the allocation of funds across the GLA Group are the increased allocation to MOPAC, the allocation of additional devolved business rates to TfL relating to the transfer of its Department for Transport (DfT) capital investment grant into business rates retention and a small reduction in the GLA Mayor's funding. More details are set out in Appendix I.

Allocation of funding sources over which the Mayor has direct control

| 2017-18 (£m) | Mayor | Assembly | MOPAC | LFEPA | TFL | Total |
|------------------------------|--------------|-----------------|--------------|--------------|----------------|----------------|
| Council tax | 65.0 | 2.6 | 589.5 | 138.2 | 6.0 | 801.3 |
| Revenue Support Grant | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Business rates (revenue) | 82.7 | 4.8 | 28.5 | 244.2 | 854.3 | 1,214.5 |
| Business rates (capital) | 0.0 | 0.0 | 0.0 | 0.0 | 960.0 | 960.0 |
| Total Mayoral funding | 147.7 | 7.4 | 618.0 | 382.4 | 1,820.3 | 2,975.8 |

| 2016-17 (£m) | Mayor | Assembly | MOPAC | LFEPA | TFL | Total |
|---|--------------|-----------------|--------------|--------------|--------------|----------------|
| Council tax | 60.8 | 2.6 | 566.7 | 138.2 | 6.0 | 774.3 |
| Revenue Support Grant | 10.0 | 2.5 | 27.1 | 128.5 | 0.0 | 168.1 |
| Business rates | 65.5 | 2.1 | 0.0 | 115.7 | 854.3 | 1,037.6 |
| Resource applied from the Business Rates Reserve | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 | 22.3 |
| Total Mayoral funding | 158.6 | 7.2 | 593.8 | 382.4 | 860.3 | 2,002.3 |

| Change in funding | -10.9 | 0.2 | 24.2 | 0.0 | 960.0 | 973.5 |
|--------------------------|--------------|------------|-------------|------------|--------------|--------------|
|--------------------------|--------------|------------|-------------|------------|--------------|--------------|

1. Figures are net of council tax collection fund surpluses and tariff and levy payments to the Government under the business rates retention scheme.
2. In 2017-18 the GLA's entire revenue support grant is expected to be rolled into retained business rates and therefore the allocations from this source are assumed to be nil.
3. The GLA: Mayor business rates allocation includes sums used to fund LLDC and OPDC.
4. The Tfl capital funding via retained business rates is reflected in its capital spending plan in Appendix D. It does not form part of its consolidated revenue budget.

Equalities

- 1.30 Promoting equality is a key foundation for the Mayor's social mobility and social integration priorities. A new Group Equality Framework is being prepared to reflect this change in priorities and approach.
- 1.31 All seven component bodies (the Mayor and Assembly and the five functional bodies) must comply with section 149 of the Equality Act 2010. Compliance with the duty is iterative and ongoing. 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.
- 1.32 The component bodies will undertake this at a budget level and in the implementation of their individual policies, programmes and projects. An interim assessment of the equality implications of each component body's Budget at this stage of the process are set out in each of their sections of this Document.

Structure of Consultation Document

- 1.33 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 draft capital spending plans and borrowing limits for the GLA Group.
- 1.34 Appendices A to I provide more explanatory information on the budget proposals, including Appendices H and I which address 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.
- 1.35 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:

Tom Middleton (for GLA)

e-mail: tom.middleton@london.gov.uk

Martin Mitchell (for MOPAC)

e-mail: martin.mitchell@london.gov.uk

Matthew Beals (for LFEPA & TfL)

e-mail: matthew.beals@london.gov.uk

Ray Smith (for LLDC)

e-mail: ray.smith@london.gov.uk

David Gallie (for OPDC)

e-mail: david.gallie@london.gov.uk

Any comments on the proposals contained in this document should be returned by Thursday, 12 January 2017. Comments should be sent to:

David Gallie

Assistant Director - Group Finance

Greater London Authority

City Hall

The Queen's Walk

London SE1 2AA

e-mail: GLABudget@london.gov.uk

Greater London Authority: Mayor of London

- 2.1. The GLA is a strategic authority with a London-wide role to design a better future for the capital. The Mayor of London sets a citywide 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 direct expenditure and income, and appropriate contingencies and financial reserves for Assembly functions 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:
 - address capacity issues in areas which were neglected by the previous administration, such as social integration and mobility, economic fairness, culture and creative industries and the environment;
 - make a start in tackling 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;
 - interrogate the viability information of developments and ensure the proposed levels of affordable housing are robustly assessed by setting up a new viability team within Planning;
 - 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;
 - tackle environmental issues with a fully resourced air quality function within the GLA (to support local action with schools and help bring London to legal compliance as quickly as possible (for example, through the T-charge and bringing forward the Ultra Low Emissions Zone) and energy efficiency initiatives to reduce carbon emissions and to 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;
- deliver new Mayoral strategies which provide a lever to implement change beyond the GLA's own budget reach, such as the London Plan, the Transport Strategy or the Health Inequalities Strategy; and
- engage in a better dialogue with Londoners to ensure that the GLA is responsive, delivers valued benefits for Londoners and ensures value for money by centralising the marketing budget to prevent uncoordinated growth bids.

Gross revenue expenditure

- 2.4. Excluding inter group items and Group wide business rates retention payments the Mayor is proposing a decrease in combined capital and revenue budget for 2017-18 of £79.9 million. Gross revenue expenditure for services is to be decreased by £63.4 million to £281.4 million in 2017-18 compared to the revised budget for 2016-17 of £344.8 million. This reduction primarily reflects the ending of the GLA's payments funded by the council tax precept for the 2012 Olympics - £28.3 million - and a £15.6 million reduction in expenditure on Elections in 2017-18 following the Mayoral and Assembly elections held during 2016-17 in addition to the £20.2 million net change in the estimated council tax collection fund surplus. After adding the business rates retention tariff and levy payment which forms part of its component budget the GLA's gross expenditure for statutory calculation purposes is proposed to be £1,043.9 million. The Mayor's planned capital expenditure in 2017-18 is to be decreased by around £16.5 million to £643.3 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 2017-18 for GLA Mayor services is proposed to be £128.4 million.
- 2.7. The £128.4 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. These GLA Group items are managed through resources that are technically held within the GLA Mayor component budget but they are displayed separately in order to make clear the distinction between expenditure and income relating to GLA: Mayor services and that relating to the GLA Group. In the statutory calculation of the GLA Mayor component budget in Appendix H the combined business rates retention tariff and estimated levy payment for 2017-18 of £762.5 million and estimated £12.2 million council tax collection fund surplus is included in the gross expenditure totals. These adjustments result in a statutory net expenditure figure for the GLA of £903.1 million. After deducting income from retained business rates and the collection fund surplus the statutory council tax requirement for the Mayor is £65.0 million.

2.8. The Mayor's budget on directorate basis is set out below.

| Objective analysis | Revised | Forecast | Budget | Plan | Plan | Plan |
|---|----------------|-----------------|----------------|----------------|----------------|----------------|
| GLA: Mayor services | Budget | | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| <i>Directorate Expenditure</i> | | | | | | |
| Development, Enterprise & Environment | 16.6 | 15.7 | 15.9 | 14.7 | 14.4 | 14.4 |
| Housing & Land | 23.2 | 22.9 | 26.3 | 25.0 | 25.0 | 25.0 |
| Communities & Intelligence | 24.2 | 23.7 | 23.2 | 19.2 | 22.3 | 21.6 |
| External Affairs | 7.8 | 7.9 | 9.2 | 9.2 | 9.0 | 9.0 |
| Resources | 28.1 | 28.2 | 27.2 | 26.5 | 26.5 | 26.5 |
| Corporate Management Team | 1.8 | 1.5 | 1.1 | 1.1 | 1.1 | 1.1 |
| Mayor's Office | 4.6 | 4.3 | 4.6 | 4.6 | 4.6 | 4.6 |
| Elections | 15.6 | 15.9 | 0.3 | 0.8 | 6.5 | 17.9 |
| Sub-total Directorate Expenditure | 121.9 | 120.1 | 107.7 | 101.1 | 109.4 | 120.1 |
| Olympic Funding Agreement | 28.3 | 28.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Museum of London | 8.0 | 8.0 | 7.6 | 7.6 | 7.6 | 7.6 |
| London and Partners | 11.4 | 11.4 | 11.9 | 11.9 | 11.9 | 11.9 |
| Contingency | 1.1 | 1.1 | 1.9 | 1.5 | 1.0 | 0.5 |
| Other service expenditure | 48.8 | 48.8 | 21.4 | 21.0 | 20.5 | 20.0 |
| Financing costs – Crossrail | 116.4 | 116.4 | 115.0 | 117.3 | 112.9 | 109.0 |
| Financing costs – Northern Line Extension | 5.4 | 5.4 | 5.4 | 10.0 | 14.0 | 23.6 |
| Financing costs – other | 7.0 | 7.0 | 7.0 | 6.5 | 6.1 | 6.1 |
| Provision for repayment of debt | 10.5 | 10.5 | 10.8 | 8.9 | 7.9 | 7.1 |
| Financing Costs | 139.3 | 139.3 | 138.2 | 142.7 | 140.9 | 145.8 |
| Interest receipts | -10.9 | -11.4 | -10.9 | -8.0 | -8.0 | -8.0 |
| Crossrail Business Rate Supplement | -116.4 | -116.4 | -115.0 | -117.3 | -112.9 | -109.0 |
| Northern Line Extension contributions | -5.4 | -5.4 | -5.4 | -10.0 | -14.0 | -23.6 |
| GLAP recharge | 0.0 | 0.0 | -6.5 | -6.5 | -6.5 | -6.5 |
| Income | -132.7 | -133.2 | -137.8 | -141.8 | -141.4 | -147.1 |
| Transfer of resource to Mayoral Development Corporation Reserve held in GLA Group item budget | 0.0 | 0.0 | 0.0 | 5.6 | 8.7 | 10.4 |
| Transfer to/ (from) reserves held for GLA services | -35.9 | -30.8 | -1.1 | 6.1 | -3.2 | -13.5 |
| Net service expenditure after use of reserves | 141.4 | 144.2 | 128.4 | 134.7 | 134.9 | 135.7 |
| Revenue Support Grant | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained business rates | 48.3 | 51.1 | 63.4 | 65.4 | 61.3 | 57.7 |
| Funding for services from Business Rates Reserve | 22.3 | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Council tax requirement | 60.8 | 60.8 | 65.0 | 69.3 | 73.6 | 78.0 |

1 Use of reserves excludes movements on the Business Rates Reserve and Mayoral Development Corporation Reserve

Explanation of budget changes

- 2.9. An analysis of the year on year movement in the proposed council tax requirement for the GLA: Mayor compared to the revised budget for 2016-17 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix A sets out a subjective analysis of the Mayor's budget.

| Changes in the council tax requirement | £m |
|--|-------------|
| 2016-17 council tax requirement | 60.8 |
| <i>Changes due to:</i> | |
| Inflation | 1.0 |
| Savings and efficiencies | -2.1 |
| Net change in service expenditure and financing costs | -46.7 |
| Change in use of reserves | 34.8 |
| Net change in Government grants , retained rates and other funding sources | 17.2 |
| 2017-18 council tax requirement | 65.0 |

Inflation

- 2.10. The budget includes a provision for inflation of £1.0 million; approximately £0.5 million of which relates to inflation on salary related costs.

Savings and efficiencies

- 2.11. The budget incorporates planned savings and efficiencies of £2.1 million.

Net change in service expenditure and financing costs

- 2.12. The budget proposes a £46.7 million net reduction in service and financing costs. The two largest items in this reduction are the ending of the Olympic Funding Agreement payments, with the final payment being made in 2016-17, accounting for £28.3 million of the reduction, and the reduction of £15.6 million in election related expenditure, following the elections held for the Mayor and Assembly in May 2016.
- 2.13. Financing costs are also forecast to reduce by £1.1 million compared to the revised 2016-17 budget and income of £6.5 million relating to the GLA Land and Property Ltd (GLAP) recharge is forecast to be received in 2017-18 whereas there was no such income in 2016-17. GLAP undertakes the vast majority of the GLA's land, property and commercial activities.

Change in use of reserves

- 2.14. The budget proposes a net change in the budgeted use of reserves of £34.8 million.

Net change in Government grants and retained rates

- 2.15. The net change in Government grants and retained rates is £17.2 million. Retained business rates funding allocated by the Mayor in 2017-18 is £15.1 million greater than in 2016-17 but this is offset by the ceasing of the GLA's Revenue Support Grant (£10 million) which is proposed to be rolled into the GLA's business rates retention funding from 2017-18 and a one-off use of Business Rates Reserve resources of £22.3 million in 2016-17 which is being applied to support the GLA budget.

Equalities

- 2.16. The Mayor will issue a revised equalities framework for the GLA Group in early 2017, reflecting the high priority that the Mayor places on making London a fairer and more equal city.
- 2.17. Furthermore the budget proposals include capacity building for the GLA's Diversity and Social Policy team, and for community engagement, both in terms of an increased staffing complement and a programme budget for research, analysis, programming and engagement. This will enable the team to pioneer policies and interventions that directly support equality initiatives in the capital, as well as providing a more effective support and challenge function on equalities within the GLA and to the GLA Group.
- 2.18. Equalities impacts continue to be considered when individual programmes and project specifications are developed and approved through the Authority's decision making processes. This approach will be further developed as the new equality framework is rolled out and as the Mayor's policy agenda in this area is implemented

Environmental impact

- 2.19. This budget provides funding within the Housing and Land; Communities and Intelligence; and Development, Enterprise and Environment directorates and other parts of the organisation to:
- establish Energy for Londoners, supporting local and community energy enterprises, and buying clean energy generated across the city;
 - tackle London's dangerously poor air quality by supporting TfL's action (T-Charge and ULEZ for example), influence emissions from new and existing buildings and reduce emissions from construction and help restore air quality to legal and safe levels;
 - invest in green space, ensuring children can have access to nature, and implement a tree planting programme, with a particular focus on routes to schools and colleges, to increase tree cover by 25 per cent by 2025;
 - reinvigorate efforts to increase recycling in London; help manage flood risks and develop smart approaches to tackling the capital's environmental challenges;
 - prepare a new London Environment Strategy, inform policies in other strategies (such as Transport, Health Inequalities and the London Plan) and support the impact assessments of all new Mayoral strategies; and

- collaborate with other cities through international networks such as the C40 Cities Climate Leadership Group and the International Council for Local Environmental Initiatives (ICLEI) to share best practice and develop innovative solutions to the challenges of tackling climate change.

Reserves

- 2.20. At 31 March 2017, the Mayor forecasts that the GLA Mayor's general reserves balance will total £58.6 million. The current policy is to maintain a minimum balance on this reserve of £10 million and therefore on this basis £48.6 million could be released. However, given the need for future capital investment as demonstrated by the Mayor's priorities for affordable housing, energy, environment, etc., a new capital programme reserve will be created from funds released (after taking into account amounts which may be necessary for other specific purposes).
- 2.21. As the £48.6 million has not yet been released it is shown as remaining in the reserve balance. A balance of £10 million is judged to be adequate as:
- the major financial risks facing the GLA are covered by earmarked reserves, accounting provisions and reasonable insurance provisions;
 - working capital and cash flow risks are currently being effectively managed through balances on the Group Investment Syndicate (GIS); and
 - there is a well embedded process for reporting significant risks, financial and otherwise, to senior management.
- 2.22. The balance on the Business Rates Reserve is forecast to be £188.2 million at the close of 2017-18, with the balance on the Mayoral Development Corporation Reserve standing at £18.4 million. These two reserves relate to GLA Group item expenditure but are held within GLA: Mayor resource.
- 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 as well as the allocation of council tax collection fund surpluses. There are a number of uncertainties concerning the forecast level of business rates receivable in 2017-18. 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 in 2017-18.
- 2.24. The GLA's forecast for 2017-18 builds on the business rates receivable forecast by the billing authorities for 2016-17 and applies the best current estimates of the impact of the revaluation and the possible level of ratepayer appeals. This results 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 to hold the forecast surplus in the Business Rates Reserve as contingency against the risk of business rates income in future years being less than forecast.

- 2.25. Given the degree of uncertainty surrounding forecast business rates income the Mayor has taken the decision that for 2018-19 to 2020-21 it is prudent not to forecast any surplus (or deficit) in business rates income. These assumptions and forecast business rates income for 2017-18 to 2020-21 will be reviewed and updated once the billing authority forecasts of 2017-18 business rates receivable are available. The billing authorities are expected to submit their forecasts to the Government and the GLA by 31 January 2017.
- 2.26. The forecast £12.2 million council tax collection fund surplus in 2017-18 is allocated to the Business Rates Reserve. The impact of this and the surplus business rates income forecast in 2017-18 results in the reserve balance standing at £188.2 million at the close of 2020-21.
- 2.27. Earmarked reserves for GLA: Mayor services are forecast to be £119.6 million at the close of 2017-18. Certain earmarked reserves are to be wound down with any remaining funds released or transferred to other reserves. A further review of earmarked reserves is being undertaken.

| Movement in reserves during financial year | Outturn | Forecast | Budget | Plan | Plan | Plan |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Opening balances | 289.3 | 440.7 | 324.0 | 384.8 | 385.1 | 379.2 |
| <i>Transfers to/from:</i> | | | | | | |
| Business Rates Reserve | 137.0 | -74.5 | 66.3 | 0.0 | 0.0 | 0.0 |
| Mayoral Development Corporation Reserve | -7.7 | -11.4 | -4.4 | -5.8 | -2.7 | -1.0 |
| Reserves earmarked for GLA services | 22.1 | -30.8 | -1.1 | 6.1 | -3.2 | -13.5 |
| General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing balances | 440.7 | 324.0 | 384.8 | 385.1 | 379.2 | 364.8 |

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

| Total reserves at end of financial year | Outturn | Forecast | Budget | Plan | Plan | Plan |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Business Rates Reserve | 196.4 | 121.9 | 188.2 | 188.2 | 188.2 | 188.2 |
| Mayoral Development Corporation Reserve | 34.2 | 22.8 | 18.4 | 12.6 | 9.9 | 8.9 |
| Reserves earmarked for GLA services | 151.5 | 120.7 | 119.6 | 125.7 | 122.5 | 109.1 |
| General reserves | 58.6 | 58.6 | 58.6 | 58.6 | 58.6 | 58.6 |
| Total | 440.7 | 324.0 | 384.8 | 385.1 | 379.2 | 364.8 |

Greater London Authority: London Assembly

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

Key deliverables

- 3.2 The Assembly Secretariat has seven objectives to guide its work, to support:
- the Assembly and its committees to enable them to effectively hold the Mayor to account;
 - the Assembly and its committees to conduct effective investigations into issues of importance to Londoners;
 - Assembly Members in relation to their representative and constituency roles;
 - raising the profile of the work of the Assembly and enhance its positive reputation among Londoners;
 - the effective governance of the GLA, including support for the work of the Monitoring Officer;
 - the Assembly in carrying out its statutory duties towards London TravelWatch; and
 - the Greater London Returning Officer in the effective planning and management of the Mayoral and London Assembly elections.

Revenue expenditure and council tax requirement

- 3.3 The Mayor is proposing that the Assembly's gross and net revenue expenditure for 2017-18 is £7.4 million.
- 3.4 Deducting the retained business rates shares for the Mayor and Assembly and having regard to their respective net expenditure, results in the Mayor proposing a council tax requirement for the Assembly of £2.6 million in 2017-18. The revenue budget for the Assembly is set out in the table overleaf on an objective basis.

| Objective analysis Assembly | Revised Budget | Forecast | Budget | Plan | Plan | Plan |
|--|---------------------------|-----------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Assembly Members | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Member Services | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 |
| Scrutiny and Investigations | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 |
| Committee Services | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 |
| Director/ Business Support | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| London TravelWatch | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Net revenue expenditure | 7.2 | 7.2 | 7.4 | 7.4 | 7.4 | 7.4 |
| Financed by: | | | | | | |
| Revenue support grant | 2.1 | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained Business Rates | 2.5 | 2.5 | 4.8 | 4.8 | 4.8 | 4.8 |
| Council tax requirement | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |

1. The Assembly's budget includes recharges of expenditure and income for shared services provided to other parts of the GLA Group.

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 2016-17 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix A sets out a subjective analysis of the Assembly's budget

| Changes in the Assembly's council tax requirement | £m |
|--|------------|
| 2016-17 council tax requirement | 2.6 |
| <i>Changes due to:</i> | |
| New initiatives | 0.2 |
| Increase in resources allocated by the Mayor | -0.2 |
| 2017-18 council tax requirement | 2.6 |

- 3.6 The Assembly requires growth of £150,000 in 2017-18 (£200,000 in a full year) arising from the proposed creation of London Fire Commissioner. This growth is proposed to be financed from an increase in Retained Business Rates

Equalities and environmental impact

- 3.7 There are no specific equalities or environmental impact from the Assembly's budget.

Reserves

- 3.8 The Assembly's Development and Resettlement Reserve was £1.8 million at 31 March 2017. This exceeds the potential calls upon it based on the anticipated length of Assembly Members length of service at the end of this term by £0.8 million. The Mayor requests that the Assembly set out its plan for using that reserve as part of this consultation exercise.

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 draft Police and Crime Plan sets out the Mayor’s proposed strategy for policing and crime reduction over a four year period from 2017-18 to 2020-21.

Gross revenue expenditure

- 4.2 Gross revenue expenditure by MOPAC is to be reduced by £72.4 million to £3,245.7 million in 2017-18 compared to the revised budget for 2016-17. Total capital expenditure is forecast to be £340 million in 2017-18 – an increase of £101.7 million.
- 4.3 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

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

| Objective analysis MOPAC | Revised Budget | Forecast | Budget | Plan | Plan | Plan |
|---|-------------------|----------------|----------------|----------------|----------------|----------------|
| | 2016-17 £m | 2016-17 £m | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
| Territorial policing | 1,137.9 | 1,153.7 | 1,134.2 | 1,134.2 | 1,134.2 | 1,134.2 |
| Specialist crime & operations | 732.6 | 720.6 | 742.0 | 729.3 | 730.0 | 730.0 |
| Specialist operations | 325.8 | 332.3 | 320.0 | 320.0 | 328.1 | 326.1 |
| Met HQ | 591.5 | 617.3 | 560.0 | 515.3 | 513.8 | 413.2 |
| Total business groups | 2,787.8 | 2,823.9 | 2,756.2 | 2,698.8 | 2,706.1 | 2,603.5 |
| Discretionary pension costs | 35.9 | 34.6 | 35.9 | 35.9 | 35.9 | 35.9 |
| Centrally held | 131.3 | 94.1 | 98.3 | 174.3 | 221.9 | 251.9 |
| Capital financing costs | 42.9 | 42.9 | 43.0 | 43.0 | 61.2 | 73.5 |
| Interest receipts | -1.3 | -1.6 | -1.3 | -1.3 | -1.3 | -1.3 |
| Total corporate budgets | 208.8 | 170.0 | 175.9 | 251.9 | 317.7 | 360.0 |
| Mayor’s Office for Policing and Crime | 48.1 | 45.4 | 50.0 | 50.0 | 50.0 | 46.2 |
| Savings to be identified | 0.0 | 0.0 | 0.0 | -80.7 | -169.0 | -120.1 |
| Net revenue expenditure | 3,044.7 | 3,039.3 | 2,982.1 | 2,920.0 | 2,904.8 | 2,889.6 |
| Transfer to/(from) reserves | -117.3 | -106.4 | -62.0 | -11.8 | -8.5 | -5.6 |
| Financing requirement | 2,927.4 | 2,932.9 | 2,920.1 | 2,908.2 | 2,896.3 | 2,884.0 |
| Specific Grants | 429.0 | 434.5 | 420.1 | 420.1 | 420.1 | 420.1 |
| Retained business rates (Ctax freeze grant) | 27.1 | 27.1 | 28.5 | 28.5 | 28.5 | 28.5 |
| Home Office General Policing Grant | 1,904.6 | 1,904.6 | 1,882.0 | 1,858.4 | 1,834.4 | 1,809.8 |
| Council tax requirement | 566.7 | 566.7 | 589.5 | 601.2 | 613.3 | 625.6 |

- 4.5 After deducting fees, charges, and other income and use of reserves MOPAC’s approved net expenditure for 2017-18 before the application of government grants and council tax is £2,920.1 million. After allowing for specific grants, the Mayor is setting funding for MOPAC at £2.5 billion – the amount assumed by the Home Office in its provisional police settlement. The Mayor’s approved council tax requirement for MOPAC is increased by £22.8 million to £589.5 million. This reflects an increase in the police precept of 1.99 per cent in 2017-18 in order to provide additional resources to support front line policing and the impact of the assumed 2 per cent council taxbase buoyancy.

Explanation of budget changes

- 4.6 An analysis of the year on year movement in the Mayor’s proposed council tax requirement for MOPAC compared to the revised budget for 2016-17 is set out below. An explanation of each change is provided in the paragraphs that follow. In addition, Appendix B sets out a subjective analysis of MOPAC’s budget.

| Changes in the council tax requirement | £m |
|--|--------------|
| 2016-17 council tax requirement | 566.7 |
| <i>Changes due to:</i> | |
| Inflation | 25.3 |
| Savings and efficiencies | -74.8 |
| Net changes in existing service expenditure | -13.1 |
| Change in use of reserves | 55.3 |
| Net change in Government grants and retained rates | 30.1 |
| 2017-18 council tax requirement | 589.5 |

Inflation

- 4.7 The budget includes a provision for inflation of £25.3 million to reflect the anticipated cost increases, including 2 per cent for staff and PCSO pay as part of a multi-year pay agreement, 1 per cent for police officer pay and a contingency sum for the non-pay inflation.

Savings and efficiencies

- 4.8 The budget incorporates planned savings and efficiencies of £74.8 million. Going forward, 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 in the back office as well as other front and middle office.
- 4.9 The MPS has plans to drive further savings and transformation across commercial contracts, ICT and digital investment and estates review and dispose of significant numbers of properties to generate capital receipts to support the transformation of the service.

New Initiatives and net change in existing services

- 4.10 The budget proposes the net change in existing services of £13.1 million when comparing the revised 2016-17 budget with the 2017-18 budget, after taking into account the effect of inflation and planned savings and efficiencies.

Change in use of reserves

- 4.11 The budget proposes a net change in the budgeted use of reserves of £55.3 million when comparing the revised 2016-17 budget with the 2017-18 budget.

Net change in Government grants and retained rates

- 4.12 The reduction in Government grants and retained rates funding comparing the 2017-18 budget with the revised 2016-17 budget is £30.1 million. This is comprised of an increase of £1.4 million of retained business rates allocated by the Mayor offset by a £31.5 million combined net reduction in specific grants and the Home Office General Policing Grant.

Equalities

- 4.13 Throughout the planning process Business Groups have considered the impact they have on internal and external communities and therefore develop activities that reflect MOPAC and the MPS’s commitment to equality and diversity issues. In doing so consideration has been given to all Equality Groups, the details of which will form part of the more detailed proposals.

Environmental impact

- 4.14 MOPAC’s planning framework will help to ensure that environmental sustainability issues are properly reflected in future plans and budgets.

Reserves

- 4.15 At 31 March 2017, the Mayor forecasts that MOPAC’s general reserves balance will total £46.6 million. This level of general reserves is forecast to be maintained to the end of 2020-21.
- 4.16 As part of the MPS’s transformation strategy and investment in new IT, the balances on MOPAC’s earmarked reserves are forecast to reduce from £132.8 million as at 31 March 2017 to £44.9 million at 31 March 2021.

| Movement in reserves during financial year | Outturn 2015-16 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Opening balances | 419.3 | 296.6 | 179.4 | 117.4 | 105.6 | 97.1 |
| <i>Transfers to/from:</i> | | | | | | |
| Earmarked reserves | -122.7 | -117.2 | -62.0 | -11.8 | -8.5 | -5.6 |
| General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing balances | 296.6 | 179.4 | 117.4 | 105.6 | 97.1 | 91.5 |

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

| Total reserves at end of financial year | Outturn 2015-16 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|--|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Earmarked reserves | 250.0 | 132.8 | 70.8 | 59.0 | 50.5 | 44.9 |
| General reserves | 46.6 | 46.6 | 46.6 | 46.6 | 46.6 | 46.6 |
| Total | 296.6 | 179.4 | 117.4 | 105.6 | 97.1 | 91.5 |

London Fire and Emergency Planning Authority

- 5.1 The London Fire and Emergency Planning Authority (LFEPA) is responsible for fire and rescue services in London and it supports the London boroughs in their emergency planning role. The Policing and Crime Bill, when enacted, is expected to abolish LFEPA and establish the London Fire Commissioner (LFC) as a corporate body. This is likely to be from 1 July 2017, so the Mayor will set a budget for LFEPA for 2017-18, which would then be adopted by the LFC.
- 5.2 The London Safety Plan sets out LFEPA's key priorities. A new plan is currently in draft. It is anticipated that this new London Safety Plan will be adopted in April 2017. Therefore, LFEPA's main commitments set out below are still subject to consultation and change. LFEPA's key priorities are to:
- engage with London's communities to inform and educate people in how to reduce the risk of fires and other emergencies;
 - influence and regulate the built environment to protect people, property and the environment from harm;
 - plan and prepare for emergencies that may happen and making a high quality, effective and resilient response to them;
 - use their resources in a flexible and efficient way arriving at incidents as quickly as they 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 works; and
 - maximise how they spend their money, ensuring that the Brigade is supported through intelligent systems and data, property investment, procurement, vehicles and equipment.

Key deliverables

- 5.3 LFEPA's proposed headline targets in the draft London Safety Plan are to:
- achieve fairness for Londoners by having all London boroughs below the national (England) average rate for primary fire;
 - reduce the rate of fires in the home;
 - reduce the rate of fires in other buildings (where fire safety regulations typically apply);
 - reduce the rate of fires in care homes and specialist housing for older people;
 - reduce the risk of death from all fires and from accidental fires in the home;
 - reduce the risk of injury from fire;
 - prevent fires in the home and promote safer living, by visiting people at home, focusing those visits to those most at risk;
 - improve compliance with fire safety regulations, by delivering fire safety audits to the places in London where the regulations apply;

- make London a safer place for the future, by educating young people on the risks from fire and other emergencies;
- make fire engines available to respond to genuine emergencies by reducing the number of attendances to false alarms from automatic systems in non-domestic buildings;
- dispatch fire engines quickly to emergency incidents after answering a 999 call;
- ensure fire engines arrive quickly at emergency incidents; and
- plan that 90 per cent of all first fire engines arrive within 10 minutes of being dispatched. This is an improvement over the existing target.

Gross revenue expenditure

- 5.4 The Mayor is proposing an increase in LFEPA's combined capital and revenue budget for 2017-18 of some £8.2 million. Gross revenue expenditure by LFEPA is to be decreased by some £10.8 million to £423.4 million in 2017-18 compared to the revised budget for 2016-17 of £434.2 million. LFEPA's planned capital expenditure in 2017-18 is to be increased by around £19.0 million to £53.8 million.
- 5.5 The Mayor's proposed Capital Plan for LFEPA is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix C. The Mayor's revenue budget for LFEPA is described below.

Net revenue expenditure and council tax requirement

- 5.6 The Mayor's proposed revenue budget for LFEPA is set out on the next page on an objective basis.
- 5.7 After deducting fees, charges, and other income and use of reserves from LFEPA's gross revenue expenditure of £423.4 million, the Mayor proposes that its net expenditure for 2017-18 will be £394.6 million. The Mayor also proposes that the council tax requirement for LFEPA is £138.2 million.

| Objective analysis LFEPA | Revised Budget 2016-17 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|--|--|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Community safety | 33.4 | 32.8 | 31.6 | 32.1 | 33.0 | 33.2 |
| Fire fighting and rescue | 336.2 | 331.3 | 325.2 | 327.2 | 338.2 | 340.3 |
| Fire-fighter pensions | 21.9 | 20.7 | 20.8 | 21.2 | 21.6 | 22.0 |
| Emergency planning and London Resilience Team | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Central services | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Savings to be required | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | -13.9 |
| Net service expenditure | 393.0 | 386.3 | 379.1 | 382.0 | 393.9 | 383.2 |
| Capital financing costs | 9.8 | 9.8 | 9.5 | 10.8 | 11.0 | 12.0 |
| External interest receipts | -0.5 | -0.5 | -0.6 | -0.6 | -0.5 | -0.5 |
| Net revenue expenditure | 402.2 | 395.6 | 388.0 | 392.2 | 404.4 | 394.7 |
| Transfer to/(from) reserves | -7.2 | -0.6 | 6.6 | 2.4 | -9.8 | -0.1 |
| Financing requirement | 395.0 | 395.0 | 394.6 | 394.6 | 394.6 | 394.6 |
| Specific grants | 12.5 | 12.6 | 12.2 | 12.2 | 12.2 | 12.2 |
| Revenue support grant | 128.5 | 128.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained Business Rates | 115.7 | 115.7 | 244.2 | 244.2 | 244.2 | 244.2 |
| Council tax requirement | 138.2 | 138.2 | 138.2 | 138.2 | 138.2 | 138.2 |

Explanation of budget changes

- 5.8 An analysis of the year on year movement in the Mayor's proposed council tax requirement for LFEPA compared to the Mayor's approved budget for 2016-17 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 LFEPA and details of its proposed savings and efficiencies.

| Changes in the council tax requirement | £m |
|--|--------------|
| 2016-17 council tax requirement | 138.2 |
| <i>Changes due to:</i> | |
| Inflation | 5.1 |
| Savings and efficiencies | -7.6 |
| New initiatives and service improvements | 1.8 |
| Change in use of reserves | 13.8 |
| Net Change in Government grants and retained rates | 0.4 |
| Other adjustments | -13.5 |
| 2017-18 council tax requirement | 138.2 |

Inflation

- 5.9 The Budget proposes that LFEPA make provision for inflation of £5.1 million in 2017-18.

Savings and efficiencies

- 5.10 The Budget proposes that LFEPA make efficiencies of £7.6 million for 2017-18.

New initiatives and service improvements

- 5.11 The Budget proposes that LFEPA plan on budgeting for £1.8 million of growth items in 2017-18. This includes £0.7 million to support staff development initiatives and £0.5 million for inoculations for staff to support the co-responder programme.

Change in use of reserves

- 5.12 The Budget proposes that in 2017-18 LFEPA will have a change in use of balances of £13.8 million.

Change in Government grants

- 5.13 The Mayor has provisionally set LFEPA's funding from Council Tax and Retained Business Rates to a total of £382.4 million in 2017-18. In addition, LFEPA is forecast to receive £12.2 million of specific government grants – resulting in total funding being made available by the Mayor of £394.6 million. This level of support is the same as in 2016-17 but reflects the devolution of Revenue Support Grant into Retained Business Rates.

Other adjustments

- 5.14 Other adjustments largely includes one-off spend of £7.2 million that was financed from reserves and the reversal of a one-off £4.0 million payment into the Local Government Pension Scheme Fund.

Equalities

- 5.15 An equality impact analysis for savings made as part of development of the budget was completed and considered as part of LFEPA's budget formulation and decision making processes.

Environmental impact

- 5.16 LFEPA has reviewed the savings proposals for sustainability and environmental implications. LFEPA's Sustainable Development Strategy and the environmental plans that sit under it drives LFEPA's environmental performance.
- 5.17 LFEPA will continue to monitor performance through its ISO 14,001 certified Environmental Management System and Sustainable Development Annual Reports. This includes the 45 per cent CO2 reduction target, the use of GLA programmes such as RE:FIT and moves towards a lower emission fleet.

Reserves

5.18 At 31 March 2017, LFEPA's total reserves are expected to be £32.5 million and are forecast to increase to £39.1 million by the end of 2017-18, increasing to £41.5 million by the end of 2018-19, but decreasing to £31.7 million by the end of 2019-20 and to decrease to £31.6 million by the end of 2020-21. General reserves are forecast to stand at £20.1 million from 31 March 2017.

5.19 In addition, it is forecast that LFEPA will hold £12.4 million of earmarked reserves at 31 March 2017. Earmarked reserves are forecast to increase to £19.0 million by the end of 2017-18, increasing to £21.4 million by the end of 2018-19, but decreasing to £11.6 million by the end of 2019-20 and to decrease to £11.5 million by the end of 2020-21. The expected movements in reserves over the planning period are set out in the table below.

| Movement in reserves during financial year | Outturn 2015-16 | Forecast 2016-17 | Budget 2017-18 | Plan 2018-19 | Plan 2019-20 | Plan 2020-21 |
|---|----------------------------|-----------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | £m | £m | £m | £m | £m | £m |
| Opening balances | 19.2 | 33.0 | 32.5 | 39.1 | 41.5 | 31.7 |
| <i>Transfers to/from:</i> | | | | | | |
| Earmarked reserves | 12.5 | -6.6 | 6.6 | 2.4 | -9.8 | -0.1 |
| General reserves | 1.3 | 6.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing balances | 33.0 | 32.5 | 39.1 | 41.5 | 31.7 | 31.6 |

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

| Total reserves at end of financial year | Outturn 2015-16 | Forecast 2016-17 | Budget 2017-18 | Plan 2018-19 | Plan 2019-20 | Plan 2020-21 |
|--|----------------------------|-----------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | £m | £m | £m | £m | £m | £m |
| Earmarked reserves | 19.0 | 12.4 | 19.0 | 21.4 | 11.6 | 11.5 |
| General reserves | 14.0 | 20.1 | 20.1 | 20.1 | 20.1 | 20.1 |
| Total | 33.0 | 32.5 | 39.1 | 41.5 | 31.7 | 31.6 |

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 TfL's key deliverables over the next five years include:

- making transport more affordable by keeping TfL fares at current levels, protecting concessions and extending the new Hopper fare over the Mayor's term;
- adapting bus services to meet changing demand across London without reducing the network overall and improving journey times and reliability;
- increasing capacity in Underground and rail services, introducing the new Crossrail line, and expanding the Overground, Docklands Light Railway and tram networks;
- increasing investment in cycling from current levels over the next five years;
- adopting a 'Vision Zero' approach that will maximise safety in all our roads schemes, from infrastructure improvements to behaviour change and enforcement;
- investing through the Healthy Streets programme to help transform areas of London making the city a more attractive and accessible place in which to live, work and travel;
- making transport infrastructure more accessible by 2021-22, with some of our busiest stations becoming step-free, including Bond Street, Finsbury Park, Tottenham Court Road and Victoria and we want 40 per cent of Underground stations to be step-free;
- working with local businesses to help meet freight needs in the safest, cleanest and most efficient way possible providing better road information and improved coordination of planned roadworks;
- investing in cleaning up air quality by launching the world's first Ultra Low Emission Zone (ULEZ) in central London and improving the quality of life for Londoners;
- working to release 300 acres of TfL land for up to 10,000 homes, 50 per cent of which will be affordable, while providing new workspaces and offices;
- increasing commercial revenue from better use of TfL land and exploit other new opportunities;
- harnessing technology to improve journeys by allowing top-ups anywhere in our network. Thirty five per cent of pay as you go journeys on the Tube are now paid for with contactless cards;
- strengthening our partnerships with boroughs and communities by working more closely than ever on joint programmes and shared goals. TfL are working to transform areas including Tottenham Court Road, Stratford, Baker Street and the Vauxhall gyratory; and

- completion of the construction of Crossrail, and introducing the operation of, the Elizabeth line.

Gross revenue and capital expenditure

- 6.3 The Mayor is proposing that TfL's total gross operating expenditure budget for 2017-18 will increase by £147.4 million from £6,830.6 million to £6,978.0 million. This takes into account inflation, including bus contract and wage inflation, incremental efficiencies and an increase in debt service provision due to borrowing to provide for capital investment. In addition, total capital expenditure is planned to be £2,969.4 million which is £584.5 million lower than the 2016-17 budget of £3,553.9 million due mainly to the construction of Crossrail nearing completion.
- 6.4 The Mayor's proposed Capital Plan for TfL is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix D. The Mayor's revenue budget for TfL is described below.

Net revenue expenditure and council tax requirement

- 6.5 After deducting fares income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net revenue expenditure for 2017-18 is £1,155.5 million. An analysis of the revenue budget by service area is summarised in the table overleaf.
- 6.6 The Mayor is proposing that TfL's council tax requirement for 2017-18 is £6 million.
- 6.7 TfL is increasingly covering its operating costs from fares and other income and is looking to achieve operational break-even by 2020-21. TfL also has ambitious plans to generate £3.4 billion in non-fares commercial revenue by 2023 to reinvest in London's transport, supporting jobs and economic growth.

Explanation of budget changes

6.8 An analysis of the year on year movements in the council tax requirement is set out below and an explanation of each change is detailed in the paragraphs that follow.

| Changes in the council tax requirement | £m |
|---|------------|
| 2016-17 council tax requirement | 6.0 |
| <i>Changes due to:</i> | |
| Inflation | 152.4 |
| Savings and efficiencies | -227.6 |
| Fares, charges and other income changes | -117.5 |
| New initiatives and service improvements (capital investment and net operational increases/decreases) | 39.6 |
| Change in use of general reserves | 0.0 |
| Changes in Government revenue grants | 189.2 |
| Change in retained business rates | |
| Other adjustments | -36.1 |
| 2017-18 council tax requirement | 6.0 |

Inflation

6.9 The Budget proposes that TfL's net costs will increase by £152.4 million as a result inflation.

Savings and efficiencies

6.10 TfL will make additional cost reductions of £227.6 million in 2017-18.

6.11 The following major initiatives will deliver savings and efficiencies in 2017-18 totalling £227.6 million:

- £87.8 million on Surface Transport, including improved negotiation of bus contracts;
- £64.7 million on the London Underground, including a more efficient approach to maintenance; and
- £75.2 million in Corporate and TfL wide, the review of technology projects, consolidation of back office functions and pay and reward.

Fares charges and other income

6.12 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 £40 million back into the pockets of Londoners next year and encourage more people to use the network.

6.13 Travelcard prices and daily and weekly caps are set with the train operating companies and not therefore controlled by the Mayor.

- 6.14 During 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. TfL are investing in technology to allow it to deliver unlimited journeys within an hour by the end of 2018.
- 6.15 All concessions will be protected during the Mayor's term, providing free or reduced fares to older and disabled people, children, those in receipt of Jobseekers Allowance, and other socially disadvantaged groups

New initiatives and service improvements

- 6.16 The Budget includes £39.6 million of new initiatives and service improvements. This predominately relates to the earlier implementation of Air Quality initiatives and bringing forward the Ultra Low Emission Zone (ULEZ) to 2019 (£31.7 million in 2017-18). This will help to reduce nitrogen oxide and particulate matter to improve the quality of life for Londoners. The total cost of implementing the new improved air quality initiatives is £467.5 million to 2020-21.
- 6.17 Other initiatives relate to the design costs of pedestrianisation of Oxford Street and Parliament Square (£7.9 million in 2017-18). The pedestrianisation of Oxford Street will turn one of the world's most polluted streets into one of the world's finest public spaces.

Change in use of general reserves

- 6.18 The Budget assumes no change in the use of general reserves.

Change in Government grants

- 6.19 TfL's overall income from Government grants and retained business rates will decrease by £189.2 million in 2017-18 compared to 2016-17. The general element of GLA's transport grant will be £228.0 million in 2017-18 and TfL is also forecast to receive £67.2 million in specific grant income for revenue purposes. This is the final year in which the GLA will receive a general transport grant from central government in line with the 2015 Spending Review.
- 6.20 The Mayor has allocated £854.3 million in rates retention funding in 2017-18 to TfL for its operational expenditure. This assumes no inflationary uplift from the 2016-17 funding for TfL's operational expenditure.
- 6.21 The indicative allocation of discretionary revenue income from the Mayor for 2018-19 and future years of this Mayoralty for TfL's operational expenditure will be held at the same cash level on a like for like basis as in 2016-17.
- 6.22 The Investment Grant, to be passported under business rate devolution in 2017-18 is expected to be paid at the level previously approved with HM Treasury in the 2015 autumn statement until 2020-21. The allocation for 2017-18 is £960 million and equivalent funding for 2018-19 is set to increase in line with TfL's Settlement.
- 6.23 Funding received under business rate devolution is not restricted to support capital investment and can be used to cover operating and financing costs.

Other adjustments

- 6.24 The Budget incorporates other adjustments to TfL's budget totalling £36.1 million which include changes in debt servicing and the movement in revenue resources to support capital investment.

Equalities

- 6.25 Meeting the needs and expanding opportunities for all Londoners – and, where appropriate, the needs of particular groups and communities – is at the heart of tackling issues of inequality across the Capital. The provision of a more accessible transport system and improved transport connectivity and capacity are very important in meeting this commitment. The TfL Business Plan 2016 is central to achieving TfL's commitments in relation to equality and for the delivery of their Action on Equality Plan published earlier this year.
- 6.26 The TfL Business Plan sets out planned expenditure for the whole of TfL from 2016-17 to 2021-22. This is made up of a number of projects and programmes across TfL, which will aim to achieve the goals set out in Action on Equality and the Mayor's Transport Strategy. The equality impacts of the TfL Business Plan have been considered in an Equality Impact Assessment. Each of the individual projects and programmes it contains will also be subject to its own full equality impact assessment. All protected groups will benefit from this overall business plan and the specific projects, outcomes and improved services which this will deliver. For example, encouraging the use of healthier transport options and improving air quality has health benefits for all groups and particular advantages for areas with health inequalities; making transport more affordable has positive benefits for those on low incomes.

Environmental impact

- 6.27 TfL plays an important role in helping the Mayor to achieve his vision for good growth in London whilst protecting and enhancing the environment. Our plans focus on addressing the key issues of air quality, climate change and greening the city, whilst providing social and economic value. TfL will continue to drive environmental performance and will continue to monitor and report on key environmental metrics each year.

Reserves

- 6.28 At 31 March 2017, TfL's general reserves balance is estimated to be £150.0 million. This balance is forecast to remain constant through to 31 March 2021. TfL maintains a general fund to ensure liquidity and protect from short-term fluctuations in cash requirements.
- 6.29 In addition, TfL estimates that it will hold £1,162.7 million of earmarked reserves at 31 March 2017 which is estimated to decrease to £477.4 million at 31 March 2021 based on TfL's planned profile of income and expenditure.
- 6.30 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 major capital programmes as part of the Investment Programme.
- 6.31 The expected movements in reserves over the planning period are set out in the table below:

| Movement in reserves during financial year | Outturn 2015-16 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Opening balances | 1,884.8 | 1,425.1 | 1,312.7 | 782.8 | 486.7 | 504.6 |
| <i>Transfers to/from:</i> | | | | | | |
| Earmarked reserves | -459.7 | -112.4 | -529.9 | -296.1 | 17.9 | 122.8 |
| General reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing balances | 1,425.1 | 1,312.7 | 782.8 | 486.7 | 504.6 | 627.4 |

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

| Total reserves at end of financial year | Outturn 2015-16 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|--|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Earmarked reserves | 1,275.1 | 1,162.7 | 632.8 | 336.7 | 354.6 | 477.4 |
| General reserves | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 | 150.0 |
| Total | 1,425.1 | 1,312.7 | 782.8 | 486.7 | 504.6 | 627.4 |

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 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 been working to transform the Park and venues from their Olympic to their legacy configuration. The Copper Box Arena, Timber Lodge, Aquatics Centre, ArcelorMittal Orbit and the re-modelled Park opened in 2014. Residents began moving into the first phase of the Chobham Manor residential development in 2015-16. The Stadium opened permanently in summer 2016 as a new home for West Ham United, and as a host to UK Athletics and an events location (following a successful temporary re-opening for a series of events in summer 2015, including Rugby World Cup matches). A slide was added to the ArcelorMittal Orbit which opened in June 2016.
- 7.3 Alongside its operational mobilisation, the Legacy Corporation’s wider role in creating a great place and opportunities for local people will assume ever greater importance. The Corporation will work in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. This 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

- 7.4 During 2017-18, the Legacy Corporation’s revenue and capital budgets will be deployed to deliver the following strategic objectives:
- further completions of residential units at Chobham Manor, and progress on site at East Wick and Sweetwater;
 - prepare development strategies for Pudding Mill Lane and Rick Roberts Way sites to deliver the Mayor’s housing strategy, such that following the accelerated housing strategy, construction can start on site as soon as possible from 2020;
 - secure planning and final business case approval and complete procurement for the construction of the Stratford Waterfront CED development;
 - appoint a developer for the residential towers on Stratford Waterfront;
 - complete the Hackney Wick station improvement works;
 - host the 2017 World Athletic Championships and World Para Athletics Championships;
 - meet the estimate of 5.6 million visitors to the Park in 2017-18;

- manage and maintain the quality of core Parklands and venues during development, including retaining Green Flag status;
- ensure that effective community development plans are in place and being delivered for the new residential neighbourhoods being developed, to ensure they are socially integrated with existing adjacent neighbourhoods;
- continue to work with CED partners and Foundation for Future London (FFL) to facilitate the development of the partnership so as to ensure delivery of the CED strategic objectives and to maximise the value of the cluster; and
- develop the Global Disability Innovation Hub by delivering the programme and handing over leadership to University College London (UCL) by no later than March 2018.

Cultural and Education District (CED)

- 7.5 The CED brings together the world class cultural and education institutions of Sadler’s Wells, University of Arts London (UAL), UCL and the Victoria and Albert Museum (V&A) on the Park to create an arts and education quarter that will bring 3,000 jobs in the area and attract 1.5 million visitors a year. The £1.3 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.
- 7.6 The FFL, an independent charity, has been established to secure philanthropic funding as well as to forge links with local communities so that they benefit in the long term from the creation of new jobs and the realisation of new cultural and educational opportunities. Philanthropic receipts of £14.5 million are forecast for 2017-18.
- 7.7 The proposed budgets for the CED are reflected in the Capital Plan which includes £11.1 million of expenditure in 2017-18. The implications for LLDC supporting this major complex development programme have been reflected in the staffing and associated revenue budget.

Gross revenue and capital expenditure

- 7.8 Gross revenue expenditure in 2017-18 is budgeted to be £39.9 million, including estimated capital financing costs of £12.2 million, (£27.7 million net of financing costs). This has decreased by £1.6 million from the 2016-17 revised budget due to gross savings and efficiencies of £2.9 million, offset by a £1.3 million increase in financing revenue.
- 7.9 The Mayor’s proposed Capital Programme for the LLDC totals £104 million in 2017-18 and is set out in Section 9 as part of the Group-wide Capital Spending Plan and in more detail in Appendix E. This is £5.1 million lower than in 2016-17 reflecting mainly a reduction in venue transformation expenditure offset by increases in real estate and development infrastructure costs.

Net revenue budget and council tax requirement

- 7.10 Net revenue expenditure in 2017-18 is budgeted to be £35.3 million, (£23.1 million net of financing costs).

Explanation of budget changes

- 7.14 Most changes to the Legacy Corporation's budget reflect the changing scope of the organisation's work as the Corporation develops, the resource requirements to support the CED programme, the cost of managing the Park and venues 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 |
|---|------------|
| 2016-17 council tax requirement | 0.0 |
| <i>Changes due to:</i> | |
| Inflation | 0.2 |
| Savings and efficiencies | -3.8 |
| New initiatives and service improvements | 1.0 |
| Change in use of reserves | 2.3 |
| Net change in GLA funding | 0.4 |
| 2017-18 council tax requirement | 0.0 |

Inflation

- 7.15 This reflects the increase in costs of a renegotiated lease on the office premises in Stratford which increased the rent charge from 2017-18 and staff pay inflation.

Savings and efficiencies

- 7.16 The budget in 2017-18 includes proposed savings and efficiencies of £3.8 million, including increases in projected income. These include reductions in venue subsidies, savings/new income from implementation of the commercial strategy, a reduction in the security contingency and planned reductions in sports and community and business engagement programmes.

New initiatives and service improvements

- 7.17 Areas where the Legacy Corporation's expenditure will grow include the additional costs for the 2017 World Para Athletics Championships and increases in training initiatives and programmes for local people and licence costs for water discharges.

Change in use of reserves

- 7.18 During 2016-17 the Legacy Corporation expects to draw down £6.1 million of revenue reserves, bringing the balance to £6.3 million as at 1 April 2017 and which will be drawn down in full in 2017-18.

Change in GLA funding

- 7.19 The Legacy Corporation receives its revenue funding via the GLA and the Mayor proposes to reduce funding for core activities to £16.8 million from £17.2 million in 2016-17. Funding in 2018-19 and thereafter is subject to a further review of efficiencies in Park management and venue operations and the successful commercial exploitation of Park assets.

Equalities

7.20 The Legacy Corporation has recently reviewed its equalities strategy. This promotes equality through its objectives to:

- establish successful and integrated neighbourhoods where people want, and can afford to live, work, and play;
- retain, attract and grow a diverse range of high quality businesses and employers, and maximise employment opportunities for local people and under-represented groups; and
- create a global, future-ready exemplar for the promotion of cross-sector innovation in technology, sustainability, education, culture, sport, inclusion and participation.

7.21 The LLDC is working closely with the GLA to set new strategic equality priorities that deliver the Mayor's ambitions. These are due to be published in January 2017, after which a revision to the current strategic equalities impact assessment will be undertaken.

Environmental impact

7.22 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.

Reserves

7.23 At 31 March 2016 the Legacy Corporation's general reserves balance was £12.4 million which is held to fund expenditure. This balance is forecast to fall to £6.3 million by 31 March 2017 and utilised in full by the end of 2017-18. The Mayor is not expecting the Corporation to hold any earmarked revenue reserves. As the GLA is the Legacy Corporation's principal funder revenue reserves will be held by the GLA. The expected movements in reserves over the planning period are set out in the table below.

| Movement in reserves during financial year | Outturn 2015-16 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Opening balances | 22.2 | 12.4 | 6.3 | 0.0 | 0.0 | 0.0 |
| <i>Transfers to/from:</i> | | | | | | |
| Earmarked reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General reserves | -9.8 | -6.1 | -6.3 | 0.0 | 0.0 | 0.0 |
| Closing balances | 12.4 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 |

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

| Total reserves at end of financial year | Outturn 2015-16 £m | Forecast 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|--|-----------------------------------|------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Earmarked reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General reserves | 12.4 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 12.4 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 |

Old Oak and Park Royal Development Corporation

8.1 The Mayoral Development Corporation (MDC) for the Old Oak Common and Park Royal area came into operation on 1 April 2015. The new High Speed 2 (HS2), Crossrail and Great West 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 OPDC's planning framework was approved and adopted by the Mayor on 4 November 2015. The Opportunity Area Planning Framework 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.

Gross revenue and capital expenditure

8.3 The Mayor's proposed gross revenue expenditure for the OPDC in 2017-18 is £7.3 million.

Net revenue budget and council tax requirement

8.4 After deducting planning application fees and charges and its allocated contribution from the GLA, the Mayor's proposed net expenditure and council tax requirement for the OPDC in 2017-18 is NIL. Its revenue budget is summarised below on an objective basis.

| Objective analysis LLDC | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|------------------------------------|--|--|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| CEO Office | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 |
| Planning | 1.9 | 2.3 | 1.5 | 1.6 | 1.4 | 1.4 |
| Development | 6.3 | 3.6 | 3.4 | 3.1 | 3.1 | 3.0 |
| Regeneration and Partnership | 0.9 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Corporate Operations | 2.0 | 1.9 | 1.6 | 1.6 | 1.7 | 1.7 |
| Total expenditure | 11.8 | 9.2 | 7.3 | 7.2 | 7.1 | 7.1 |
| Planning application income | -0.4 | -0.7 | -0.4 | -0.4 | -0.4 | -0.4 |
| Total income | -0.4 | -0.7 | -0.4 | -0.4 | -0.4 | -0.4 |
| Net expenditure | 11.4 | 8.6 | 6.9 | 6.8 | 6.7 | 6.7 |
| GLA funding for core activities | 11.4 | 8.6 | 6.9 | 6.8 | 6.7 | 6.7 |
| Council tax requirement | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Explanation of budget changes

- 8.5 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 is set out below.

| Changes in the council tax requirement | £m |
|---|------------|
| 2016-17 council tax requirement | 0.0 |
| <i>Changes due to:</i> | |
| Savings and efficiencies | -1.7 |
| Net change in GLA funding | 1.7 |
| 2017-18 council tax requirement | 0.0 |

Savings and efficiencies

- 8.6 The Budget proposes savings totalling £1.7 million compared to forecast spend in 2016-17.

Change in GLA funding

- 8.7 The OPDC receives its revenue funding via the GLA. The total revenue grant made available by the Mayor is £6.9 million in 2017-18 – £1.7 million lower compared to forecast spend in 2016-17. A contingency of £1 million is held by the Mayor to support a 'self-funding' proposal to be developed by OPDC.

Equalities

- 8.8 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 to inclusion is set out in its corporate policies.

Environmental impact

- 8.9 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.

Reserves

- 8.10 The OPDC has no reserves at present as its operational expenditure is funded by the GLA.

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 on a draft plan with the Assembly and each functional body under section 123 of the GLA Act. This section sets out the draft capital spending plan for consultation. 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.

Key deliverables

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

- plan for a record breaking investment of £3.15 billion to support 90,000 new affordable homes in the capital;
- fund new and refocused projects to promote and enhance London's economic strengths, tackle social integration and to improve London's environment;
- deliver the transformation of policing's IT infrastructure and estate;
- update and replace LFEPA's vehicle fleet, operational equipment and property portfolio to support and enable a modern fire service for London;
- increase the capacity in Underground and rail services, introducing the new Crossrail line and expanding the Overground, Docklands Light Railway and tram networks; and
- commitments to speed up the delivery of housing on the Queen Elizabeth Olympic Park.

Draft capital spending plan

9.3 Set out below is a summary of the Mayor's Draft Capital Spending Plan for 2017-18 which sets out 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.

Draft GLA Group statutory capital spending plan 2017-18 under Section 122 of the GLA Act (for consultation)

| Section | | GLA | MOPAC | LFEPa | TfL | LLDC | OPDC |
|----------|---|--------------|--------------|-------------|----------------|--------------|------------|
| | | £m | £m | £m | £m | £m | £m |
| | Total external capital grants | 343.5 | 69.9 | 0.0 | 2,362.8 | 9.9 | 0.0 |
| | Opening balance of capital receipts | 3.6 | 335.7 | 20.6 | 0.0 | 0.0 | 0.0 |
| | Total capital receipts during the year | 12.8 | 10.6 | 26.7 | 77.4 | 47.4 | 0.0 |
| A | Total capital grants/ receipts | 359.9 | 416.2 | 47.3 | 2,440.3 | 57.3 | 0.0 |
| | Minimum s.120(1) grant | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | Total borrowings during the year | 287.0 | 0.0 | 6.5 | 601.0 | 46.7 | 0.0 |
| | Total borrowings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| B | Total borrowings and credit arrangements | 287.0 | 0.0 | 6.5 | 601.0 | 46.7 | 0.0 |
| | Total capital expenditure anticipated during the year | 643.3 | 340.0 | 53.8 | 2,969.4 | 104.0 | 0.0 |
| | Total credit cover arrangements in respect of requirements of 50(2) and 51(4) Local Government and Housing Act 1989 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| C | Total capital spending for the year | 643.3 | 340.0 | 53.8 | 2,969.4 | 104.0 | 0.0 |
| | Funding: capital grants | 343.5 | 59.7 | 0.0 | 2,413.1 | 9.9 | 0.0 |
| | Funding: capital receipts/reserves | 12.8 | 280.3 | 47.3 | 77.4 | 47.4 | 0.0 |
| | Funding: borrowings and credit arrangements | 287.0 | 0.0 | 6.5 | 601.0 | 46.7 | 0.0 |
| | Funding: revenue contributions | 0.0 | 0.0 | 0.0 | -122.2 | 0.0 | 0.0 |
| D | Total funding | 643.3 | 340.0 | 53.8 | 2,969.4 | 104.0 | 0.0 |

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

9.4 Set out below is a summary of the Mayor’s draft Capital Plan to 2020-21 and how this is financed. Overall the GLA Group will be investing around £485.4 million less in 2017-18 than in 2016-17. The majority of this change reflects the tailing off of Crossrail construction costs offset by further investment in the Met’s transformation programme.

| Summary of the capital plan 2016-17 to 2020-21 | 2016-17 Forecast £m | 2017-18 Plan £m | 2018-19 Plan £m | 2019-20 Plan £m | 2020-21 Plan £m | 5 year total £m |
|---|------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| GLA | 659.8 | 643.3 | 653.6 | 963.6 | 2,847.8 | 5,768.1 |
| MOPAC | 238.3 | 340.0 | 440.4 | 359.3 | 209.5 | 1,587.5 |
| LFEPAC | 34.8 | 53.8 | 44.4 | 28.1 | 25.3 | 186.4 |
| TfL | 3,553.9 | 2,969.4 | 2,441.6 | 2,113.5 | 2,368.6 | 13,447.0 |
| LLDC | 109.1 | 104.0 | 134.6 | 276.4 | 207.4 | 831.6 |
| OPDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total capital expenditure | 4,595.9 | 4,110.5 | 3,714.6 | 3,740.9 | 5,658.6 | 21,820.6 |

Greater London Authority

9.5 The key elements to the GLA’s Capital Plan are as follows:

- a Housing programme of £293.9 million in 2017-18 predominantly relating to a proportion of the recently announced £3.15 billion, for 90,000 affordable housing starts through to 2021;
- the total of the additional £2.08 billion (£3.15 billion in addition to the £1.07 billion for the 2015-18 period) funding for affordable housing secured in Autumn Statement 2016 is shown in financial year 2020-21, along with other spend already expected in that year. In reality this spend will be profiled over a longer period of time, subject to the payment profile from Government and the dates of expected starts and completions by partners;
- a regeneration programme estimated at £96.1 million in 2017-18 including £37.6 million investment in Further Education; £34.9 million on Growing Places Fund projects to create jobs and skills in emerging sectors; £13.9 million on London Regeneration Fund projects investing in high streets; and £5.0 million to begin new programmes on Supporting Local Economies, Unlocking Small Sites and Air Quality funded from the £141.2 million additional Growth Deal grant funding for 2017-18 to 2020-21;
- funding of £189.0 million in 2017-18 is forecast to be paid to TfL to fund the Northern Line extension to Battersea. The total estimated cost to the GLA of the project is £1 billion. The GLA is financing the bulk of its NLE contribution by borrowing from the European Investment Bank and having issued an index-linked bond; and
- the other main element of the GLA’s capital programme in 2017-18 is contribution to the LLDC of £47 million.

9.6 Details of the GLA's Capital Plan to 2017-18, 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.

MOPAC

9.7 MOPAC's capital programme of £340.0 million in 2017-18 is critical to the transformation of policing's IT infrastructure and estate, both of which are vital to delivering the revenue savings programme. 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 and infrastructure modernisation and the vehicle replacement programme. It is likely that MOPAC's Capital Programme will be revised in the New Year as part of the final proposals.

9.8 A detailed summary of MOPAC's Capital Plan to 2020-21, 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 and Emergency Planning Authority

9.9 The Mayor proposes that LFEPA's Capital Plan should increase by £19.0 million from the current spend forecast of £34.8 million in 2016-17 to £53.8 million in 2017-18. The Capital Plan for 2018-19 is £44.4 million. Accordingly, LFEPA's Capital Plan for the next two years of £98.2 million includes the following:

- programmed replacement of the brigade's fleet of £40.9 million;
- investment into LFEPA's estate, including energy efficiency works, of £26.6 million;
- a new training centre for the delivery of high rise training £10.6 million;
- a new distribution centre and protected equipment facility £7.5 million; and
- other investment of £12.6 million in a range of operational improvements, including security and Information and Communications Technology projects.

Transport for London

9.10 The Mayor proposes that TfL's total capital spend for 2017-18 will be £2,969.4 million, including £987.3 million on delivering Crossrail construction. Other key investment programmes in 2017-18 include:

- the modernisation of the Circle, District, Hammersmith and City and Metropolitan lines;
- Crossrail (trains and enabling works);
- major station upgrades including Victoria, Tottenham Court Road, Bond Street and Bank;
- the Northern Line Extension;
- walking and cycling; and
- the deep tube upgrade programme (the Piccadilly Line).

- 9.11 To provide additional capacity and contribute towards the Mayor's commitment to tackling poor air quality in London, the electrification of the Gospel Oak to Barking line will allow four-car electric trains to run from 2017, replacing the existing two-car diesel trains.
- 9.12 As well as investment in new signalling and trains to enhance capacity, customers will benefit from improvements that are being carried out as part of station upgrades. In 2017, TL will introduce 36 trains an hour in the peak on the Victoria line and will build a step-free entrance to the Waterloo & City line on Cannon Street.
- 9.13 The Bond Street Station upgrade will be completed in 2017 and will provide more capacity and step-free access and will make it easier to change between services, including the Crossrail.
- 9.14 TfL understands the value of increasing walking, cycling and the use of public transport in London and to support growth and improvements in London public spaces, so they will continue to create more great places in inner and outer London, including new Quietways, more Cycle Superhighways and further development of the Mini-Hollands scheme.
- 9.15 TfL are expecting a year-on-year increase in cycle hire use as a result of population growth and their continued investment cycling. TfL will take a new approach to operating the cycle hire scheme in 2017 and will begin replacing all cycle hire bikes with upgraded models.
- 9.16 Crossrail is now 80 per cent complete, on schedule and within the funding envelope. It will add 10 per cent to London's rail capacity when it is fully open in 2019. 2017-18 will see the introduction of the new trains between Liverpool Street and Shenfield and continuing work to fit out the new stations and tunnels.
- 9.17 Details of TfL's Capital Plan to 2020-21, together with the financing costs of the Programme, are set out at Appendix D. Details of TfL's Authorised Limit and Operational Boundary for external debt are also set out at Appendix D.
- 9.18 TfL's capital spending is financed from six main sources:
- fares and ticket income;
 - charges under the Congestion Charging Scheme;
 - secondary revenue (such as advertising and property rentals);
 - third party funding for specific projects, such as the GLA's contributions (financed by a business rate supplement) for Crossrail;
 - retained business rates; and
 - prudential borrowing and related financing (including bond issuances)

London Legacy Development Corporation

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

- the Cultural and Education District (CED) to further the Mayor's culture agenda and the regeneration of Queen Elizabeth Olympic Park (QEOP) and the surrounding areas;
- infrastructure costs to assist in the development of the area and delivery of development receipts in order to repay borrowings; and
- other projects, such as Hackney Wick station improvements which support the regeneration of the area as well as delivery of receipts.

9.20 The Mayor's proposed capital spending plan for the LLDC is £104.0 million in 2017-18. This represents a reduction of £5.1 million compared to the 2016-17 forecast. The main elements are:

- infrastructure costs for the East Wick and Sweetwater development;
- infrastructure costs for Pudding Mill Lane and Rick Roberts Way developments in anticipation of accelerated delivery to deliver against the Mayor's housing strategy;
- Hackney Wick Station improvements;
- further development of the Cultural and Education District programme;
- 3 Mills river wall works; and
- working capital for E20 Stadium LLP.

9.21 Details of LLDC's Capital Plan to 2020-21, 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 to bridge the funding gap between the cost of the infrastructure required to enable the development of the QEOP 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. In 2017-18 this is estimated to be £46.7 million, but in 2018-19 LLDC is projected to have a capital surplus of £84.6 million. Further support of £165.3 million is estimated in 2019-20 and £87.6 million for 2020-21.

Table 1: GLA: Mayor - Subjective analysis

| Subjective analysis | Revised Budget | Forecast Outturn | Budget | Plan | Plan | Plan |
|---|-----------------------|-------------------------|----------------|----------------|----------------|----------------|
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Staff costs | 43.7 | 45.0 | 42.4 | 42.8 | 43.3 | 43.8 |
| Premises costs | 15.9 | 15.9 | 17.1 | 17.3 | 17.6 | 17.9 |
| Supplies and services | 65.8 | 62.7 | 52.0 | 44.4 | 51.4 | 60.8 |
| <i>Transfer payments to third parties:</i> | | | | | | |
| Olympic funding agreement | 28.3 | 28.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Museum of London | 8.0 | 8.0 | 7.6 | 7.6 | 7.6 | 7.6 |
| London and Partners | 11.4 | 11.4 | 11.9 | 11.9 | 11.9 | 11.9 |
| <i>Capital financing costs:</i> | | | | | | |
| Financing costs – Crossrail | 116.4 | 116.4 | 115.0 | 117.3 | 112.9 | 109.0 |
| Financing costs – Northern Line Extension | 5.4 | 5.4 | 5.4 | 10.0 | 14.0 | 23.6 |
| Financing costs – other | 7.0 | 7.0 | 7.0 | 6.5 | 6.1 | 6.1 |
| Provision for repayment of debt | 10.5 | 10.5 | 10.8 | 8.9 | 7.9 | 7.1 |
| Total revenue expenditure | 312.4 | 310.6 | 269.2 | 266.7 | 272.7 | 287.8 |
| Sales fees and charges | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 | -1.1 |
| Rental income | -1.3 | -1.3 | -0.8 | -0.8 | -0.8 | -0.8 |
| Interest receipts | -10.9 | -11.4 | -10.9 | -8.0 | -8.0 | -8.0 |
| Crossrail Business Rate Supplement | -116.4 | -116.4 | -115.0 | -117.3 | -112.9 | -109.0 |
| Northern Line Extension Contributions | -5.4 | -5.4 | -5.4 | -10.0 | -14.0 | -23.6 |
| GLAP recharge | 0.0 | 0.0 | -6.5 | -6.5 | -6.5 | -6.5 |
| Total Income | -135.1 | -135.6 | -139.7 | -143.7 | -143.3 | -149.0 |
| Net cost of services | 177.3 | 175.0 | 129.5 | 123.0 | 129.4 | 138.8 |
| Transfer of resource to Mayoral Development Corporation Reserve held in GLA Group item budget | 0.0 | 0.0 | 0.0 | 5.6 | 8.7 | 10.4 |
| Transfer to/from reserves held for GLA services | -35.9 | -30.8 | -1.1 | 6.1 | -3.2 | -13.5 |
| Financing requirement | 141.4 | 144.2 | 128.4 | 134.7 | 134.9 | 135.7 |
| Revenue Support Grant | 10.0 | 10.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Retained business rates | 48.3 | 51.1 | 63.4 | 65.4 | 61.3 | 57.7 |
| Funding for services from Business Rates Reserve | 22.3 | 22.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Council tax requirement | 60.8 | 60.8 | 65.0 | 69.3 | 73.6 | 78.0 |

Table 4: GLA: Mayor - Draft capital spending plan

| Draft capital plan | Forecast Outturn | Budget | Plan | Plan | Plan |
|---|---------------------|---------------|---------------|---------------|----------------|
| | 2016-17 £m | 2017-18 £m | 2018-19 £m | 2019-20 £m | 2020-21 £m |
| <i>Expenditure</i> | | | | | |
| Regeneration (Crystal Palace) | 0.5 | 1.4 | 0.0 | 0.0 | 0.0 |
| Growing Places Fund | 36.5 | 34.9 | 8.4 | 3.2 | 0.2 |
| London Regeneration Fund | 6.1 | 13.9 | 0.0 | 0.0 | 0.0 |
| Mayor's Regeneration Fund | 11.7 | 3.0 | 4.4 | 1.5 | 0.0 |
| London Enterprise Fund | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Further Education Capital | 14.6 | 37.6 | 55.3 | 37.7 | 37.2 |
| Supporting Local Economies | 0.0 | 1.0 | 12.0 | 15.0 | 20.0 |
| Unlocking Small Sites | 0.0 | 0.5 | 2.9 | 4.5 | 5.6 |
| Digital Talent | 0.5 | 1.5 | 0.0 | 0.0 | 0.0 |
| Woolwich | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| High Streets | 4.6 | 0.3 | 0.0 | 0.0 | 0.0 |
| London and Partners | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| London Great Outdoors: Parks and Street Trees | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Air Quality GD3 | 0.0 | 3.5 | 4.0 | 3.5 | 0.0 |
| Mayor's Housing Covenant (Affordable Housing Programme) | 106.9 | 85.0 | 168.4 | 372.0 | 2,526.3 |
| Care & Support Programme - Phase 1 and 2 | 6.0 | 21.6 | 16.1 | 11.6 | 6.1 |
| Custom Build | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 |
| Community Led Housing | 0.0 | 1.0 | 1.0 | 1.1 | 0.0 |
| RE: New PRS & Re: Fit for Schools | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| London Boiler Cashback Scheme | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Homelessness Change and Platform for Life | 10.9 | 7.1 | 7.5 | 4.5 | 0.0 |
| London Housing Bank | 21.0 | 40.8 | 25.0 | 37.8 | 75.5 |
| Housing Zones (Loans) | 30.0 | 78.0 | 47.0 | 45.0 | 0.0 |
| Housing Zones (Affordable Housing Programme) | 91.0 | 60.3 | 150.0 | 98.5 | 0.0 |
| Land and Property | 3.3 | 12.7 | 31.6 | 5.3 | 2.0 |
| CPOs | 14.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| A Sporting Future for London | 0.7 | 1.5 | 0.0 | 0.0 | 0.0 |
| Museum of London | 0.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Education Fund Agency | 5.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Northern Line Extension | 193.0 | 189.0 | 203.0 | 156.0 | 87.0 |
| London Legacy Development Corporation | 88.0 | 46.7 | -84.6 | 165.3 | 87.6 |
| City Hall | 1.1 | 1.2 | 1.3 | 0.5 | 0.1 |
| Technology Group | 0.5 | 0.7 | 0.5 | 0.6 | 0.2 |
| Total expenditure | 659.8 | 643.3 | 653.6 | 963.6 | 2,847.8 |

Table 1: MOPAC - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|--------------------------------------|---------------------------------|-----------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Total pay and overtime | 2,470.1 | 2,430.6 | 2,414.2 | 2,478.0 | 2,495.1 | 2,492.6 |
| Total running expenses | 769.1 | 806.3 | 752.7 | 704.7 | 745.0 | 674.4 |
| Capital Financing costs | 42.9 | 42.9 | 42.9 | 42.9 | 60.8 | 72.5 |
| Total expenditure | 3,282.1 | 3,279.8 | 3,209.8 | 3,225.6 | 3,300.9 | 3,239.5 |
| Interest receipts | -1.3 | -1.6 | -1.3 | -1.3 | -1.3 | -1.3 |
| Other income | -272 | -273.5 | -262.3 | -259.5 | -261.7 | -264.4 |
| Total income | -273.3 | -275.1 | -263.6 | -260.8 | -263.0 | -265.7 |
| Discretionary pension costs | 35.9 | 34.6 | 35.9 | 35.9 | 35.9 | 35.9 |
| Savings to be identified | 0.0 | 0.0 | 0.0 | -80.7 | -169.0 | -120.1 |
| Net expenditure | 3,044.7 | 3,039.3 | 2,982.1 | 2,920.0 | 2,904.8 | 2,889.6 |
| Transfer to/(from) reserves | -117.3 | -106.4 | -62.0 | -11.8 | -8.5 | -5.6 |
| Net financing requirement | 2,927.4 | 2,932.9 | 2,920.1 | 2,908.2 | 2,896.3 | 2,884.0 |
| Home Office Specific grants | 429.0 | 434.5 | 420.1 | 420.1 | 420.1 | 420.1 |
| GLA Council tax freeze grant funding | 27.1 | 27.1 | 28.5 | 28.5 | 28.5 | 28.5 |
| Home Office General police grant | 1,904.6 | 1,904.6 | 1,882.0 | 1,858.4 | 1,834.4 | 1,809.8 |
| Council tax requirement | 566.7 | 566.7 | 589.5 | 601.2 | 613.3 | 625.6 |

Table 2: MOPAC - Draft capital plan

| MOPAC's draft capital plan | Forecast Outturn | Budget | Plan | Plan | Plan |
|--|---------------------|--------------|--------------|--------------|--------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| Strengthening Local Policing | 0.0 | 2.0 | 2.0 | 1.0 | 0.3 |
| Business Support function of the Future | 0.3 | 0.5 | 2.0 | 0.0 | 0.0 |
| CT Policing Change Portfolio | 2.6 | 2.1 | 1.1 | 0.5 | 0.0 |
| Strengthening our Armed Policing Capability | 7.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Enhance Digital Policing for 2020 | 28.3 | 25.9 | 13.2 | 10.2 | 10.0 |
| Improving Public Access and first contact | 4.4 | 4.3 | 7.0 | 7.0 | 0.0 |
| Optimising Response | 10.1 | 10.2 | 40.0 | 60.0 | 28.0 |
| Reinforcing HQ, Improving Information Management | 2.6 | 4.0 | 32.0 | 25.0 | 15.0 |
| Smarter Working | 39 | 58.1 | 0.6 | 2.0 | 1.2 |
| Transforming Investigation and Prosecution | 30.2 | 35.9 | 54.2 | 27.4 | 1.8 |
| Delivering Maximum Commercial Efficiency - Fleet | 18.2 | 26.0 | 33.7 | 21.4 | 19.3 |
| Transforming the MPS Estate | 89.7 | 126.8 | 213.1 | 182.5 | 95.5 |
| NCTPHQ | 12.5 | 44.2 | 41.6 | 22.3 | 38.5 |
| Subtotal | 245.2 | 340.0 | 440.5 | 359.3 | 209.6 |
| Over-programming/headroom | -6.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total Programme Cost | 238.3 | 340.0 | 440.5 | 359.3 | 209.6 |
| <i>Funding</i> | | | | | |
| Capital Receipts | 186.6 | 270.1 | 73.5 | 95.0 | 156.8 |
| Capital grants & other contributions | 46.6 | 69.9 | 65.9 | 44.6 | 52.8 |
| Borrowing | 0.0 | 0.0 | 301.1 | 219.7 | 0.0 |
| Revenue Contributions | 5.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total funding gross of over-programming | 238.3 | 340.0 | 440.5 | 359.3 | 209.6 |

Table 3: MOPAC - Capital financing costs

| Capital financing costs | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m |
| Minimum revenue provision for debt repayment | 22.8 | 22.8 | 26.5 | 43.5 |
| External interest | 20.1 | 20.1 | 34.3 | 29.0 |
| Total | 42.9 | 42.9 | 60.8 | 72.5 |

Table 4: MOPAC - Authorised limit for external debt

| Authorised limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|------------------------------------|-----------------------------------|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Borrowing | 501.1 | 501.1 | 484.6 | 759.3 | 952.4 | 981.1 |
| Long term liabilities | 83.3 | 83.3 | 79.3 | 76.2 | 71.0 | 64.9 |
| Total | 584.4 | 584.4 | 563.9 | 835.5 | 1,023.4 | 1,046.0 |

Table 5: MOPAC - Operational limit for external debt

| Operational limit for external debt | Current Approval 2016-17 £m | Revised Approval 2016-17 £m | Proposed 2017-18 £m | Proposed 2018-19 £m | Proposed 2019-20 £m | Proposed 2020-21 £m |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Borrowing | 376.1 | 376.1 | 359.6 | 634.3 | 827.4 | 856.1 |
| Long term liabilities | 83.3 | 83.3 | 79.3 | 76.2 | 71.0 | 64.9 |
| Total | 459.4 | 459.4 | 438.9 | 710.5 | 898.4 | 921.0 |

Table 2: LFEPA - Draft capital plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|---|-------------|-------------|-------------|-------------|-------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| <i>Expenditure</i> | | | | | |
| IT projects | 3.6 | 1.1 | 1.3 | 0.0 | 2.0 |
| Resilience projects | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Refurbishment of fire stations | 1.9 | 2.4 | 1.4 | 0.6 | 2.2 |
| New/Replacement fire stations | 5.7 | 13.3 | 10.1 | 10.0 | 10.0 |
| Other property projects | 2.8 | 11.8 | 14.0 | 0.5 | 0.6 |
| Sustainability projects | 2.7 | 1.8 | 1.2 | 1.2 | 1.2 |
| Minor improvements programme | 2.9 | 1.0 | 0.7 | 0.7 | 0.7 |
| Contingency programme | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Service concessions (PFI stations and Finance leases) | 5.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Fire Brigade fleet re-procurement | 13.6 | 25.2 | 15.7 | 15.1 | 8.6 |
| Other projects | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Over programming | -3.9 | -2.8 | 0.0 | 0.0 | 0.0 |
| Total expenditure | 34.8 | 53.8 | 44.4 | 28.1 | 25.3 |
| <i>Funding</i> | | | | | |
| Capital receipts | 25.7 | 47.3 | 26.7 | 0.0 | 0.0 |
| Borrowing and PFI leases | 5.5 | 6.5 | 17.7 | 28.1 | 25.3 |
| Capital grants | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Revenue contributions | 3.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total funding | 34.8 | 53.8 | 44.4 | 28.1 | 25.3 |

Table 3: LFEPA - Capital financing costs

| Capital financing costs | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---------------------------|------------|-------------|-------------|-------------|
| | £m | £m | £m | £m |
| MRP and external interest | 9.5 | 10.8 | 11.0 | 12.0 |
| Total | 9.5 | 10.8 | 11.0 | 12.0 |

Table 1: TfL - Subjective analysis

| Subjective analysis | Revised Budget 2016-17 £m | Forecast Outturn 2016-17 £m | Budget 2017-18 £m | Plan 2018-19 £m | Plan 2019-20 £m | Plan 2020-21 £m |
|---|--|--|----------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <i>Income</i> | | | | | | |
| Fares Revenue | -4,860.9 | -4,722.8 | -4,877.4 | -5,119.8 | -5,562.8 | -6,030.1 |
| Congestion Charging | -172.3 | -161.1 | -183.9 | -192.3 | -183.4 | -175.2 |
| Enforcement Income | -127.2 | -127.2 | -171.2 | -179.0 | -176.8 | -173.0 |
| Taxi & Private Hire and VCS fees | -35.9 | -35.7 | -42.7 | -54.3 | -58.8 | -63.2 |
| Advertising Income | -143.9 | -142.2 | -159.4 | -172.2 | -188.5 | -195.3 |
| Rental Income | -69.4 | -68.7 | -69.7 | -71.9 | -75.6 | -80.4 |
| Other Income | -155.3 | -167.2 | -194.1 | -215.2 | -235.2 | -372.1 |
| Total Income | -5,564.8 | -5,424.9 | -5,698.3 | -6,004.6 | -6,481.1 | -7,089.2 |
| <i>Operating Expenditure</i> | | | | | | |
| Employee Expenses | 2,152.9 | 2,137.7 | 2,181.8 | 2,009.5 | 1,933.3 | 1,949.3 |
| Premises | 297.2 | 293.3 | 302.4 | 341.2 | 347.8 | 343.7 |
| PFI Payments | 229.4 | 228.9 | 230.1 | 230.0 | 233.0 | 230.2 |
| Bus Contract Payments (incl. BSOG) | 1,985.3 | 1,971.5 | 2,016.1 | 2,081.3 | 2,136.3 | 2,271.6 |
| CCS & Other Road Contracted Services | 353.9 | 340.4 | 355.7 | 358.7 | 394.4 | 445.2 |
| Asset Maintenance & Local Authority Payments | 575.1 | 508.9 | 528.4 | 509.9 | 510.4 | 521.1 |
| Professional and Consultancy fees | 75.0 | 85.5 | 73.3 | 65.4 | 52.1 | 54.5 |
| Management Consultancy/Development fees | 160.9 | 132.2 | 207.9 | 224.8 | 205.1 | 160.1 |
| Ticket Commissions | 62.8 | 55.9 | 58.8 | 64.8 | 72.7 | 79.3 |
| Customer Information | 38.4 | 33.4 | 25.1 | 26.4 | 27.4 | 25.6 |
| National Rail Payments | 7.9 | 7.9 | 7.9 | 32.6 | 82.1 | 84.7 |
| Franchise Payments | 406.1 | 398.2 | 420.1 | 496.1 | 542.9 | 577.0 |
| Information and Communication Technology | 192.5 | 202.2 | 186.9 | 177.4 | 184.1 | 186.5 |
| Insurance | 26.0 | 26.0 | 24.4 | 29.2 | 43.9 | 46.6 |
| Traction Current | 106.7 | 106.7 | 106.0 | 106.0 | 106.0 | 106.0 |
| Other Operating Expenses | 3.6 | 70.3 | 9.5 | -131.1 | -72.8 | -114.8 |
| Capital Resources and Other Recharges | -283.8 | -293.1 | -233.1 | -185.1 | -191.2 | -166.6 |
| Bad Debt Provision | 49.1 | 49.7 | 61.9 | 64.2 | 64.0 | 63.1 |
| Total Operating Expenditure | 6,438.9 | 6,355.6 | 6,563.1 | 6,501.5 | 6,671.5 | 6,863.0 |
| Net Operating Expenditure | 874.1 | 930.7 | 864.8 | 496.9 | 190.4 | -226.3 |
| Group Items & Third Party Contributions | 379.3 | 363.0 | 412.8 | 452.9 | 482.9 | 517.4 |
| Revenue surplus for capital use | 91.2 | 64.5 | -122.2 | -40.4 | 218.0 | 569.2 |
| Total Net revenue expenditure | 1,344.7 | 1,358.2 | 1,155.5 | 909.3 | 891.3 | 860.3 |

| Subjective analysis | Revised | Forecast | Budget | Plan | Plan | Plan |
|-------------------------------------|----------------|----------------|----------------|--------------|--------------|--------------|
| | Budget | Outturn | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Transfer to/(from) reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financing requirement | 1,344.7 | 1,358.2 | 1,155.5 | 909.3 | 891.3 | 860.3 |
| GLA Transport Grant (general grant) | 447.3 | 447.3 | 228.0 | 0.0 | 0.0 | 0.0 |
| Other specific grants | 37.1 | 50.6 | 67.2 | 49.0 | 31.0 | 0.0 |
| Retained Business Rates | 854.3 | 854.3 | 854.3 | 854.3 | 854.3 | 854.3 |
| Council tax requirement | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |

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

Table 2: TfL - Draft capital plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|---|----------------|----------------|----------------|----------------|----------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| London Underground | 1,278.9 | 1,406.5 | 1,414.3 | 1,112.4 | 1,358.2 |
| Surface Transport | 380.7 | 311.1 | 356.4 | 521.7 | 574.7 |
| Rail | 137.3 | 82.0 | 99.2 | 126.1 | 107.0 |
| Corporate | 160.1 | 182.5 | 211.3 | 252.7 | 311.4 |
| Crossrail | 1,597.0 | 987.3 | 360.4 | 100.5 | 17.2 |
| Total expenditure | 3,553.9 | 2,969.4 | 2,441.6 | 2,113.5 | 2,368.6 |
| Capital receipts/property sales | 24.8 | 77.4 | 100.3 | 79.6 | 179.7 |
| Retained business rates (former DfT investment grant) | 0.0 | 960.0 | 976.0 | 993.0 | 1,010.0 |
| Grants to support capital expenditure | 1,085.1 | 214.5 | 198.9 | 109.5 | 81.9 |
| Borrowing | 701.2 | 601.0 | 600.4 | 700.5 | 600.7 |
| Crossrail funding sources | 138.0 | 300.3 | 166.2 | 45.9 | 155.6 |
| Revenue contributions | 64.5 | -122.2 | -40.4 | 218.0 | 569.2 |
| Working capital and reserves movements | 1,540.3 | 938.3 | 440.2 | -33.0 | -228.5 |
| Total funding | 3,553.9 | 2,969.4 | 2,441.6 | 2,113.5 | 2,368.6 |

Note: This table reflects the impact of the proposal that from 2017-18 TfL's capital investment grant will be rolled into the business rates retention scheme. TfL's draft business plan combines the retained rates and grants line in one single number.

Table 3: TfL – London Underground draft capital plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|--|----------------|----------------|----------------|----------------|----------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| Stations Upgrade | 210.5 | 187.2 | 139.6 | 138.2 | 184.6 |
| Legacy Train Systems | 27.5 | 80.2 | 95.2 | 69.8 | 58.5 |
| Four Lines Modernisation | 321.0 | 300.6 | 258.6 | 143.9 | 203.2 |
| Infrastructure Renewals | 279.4 | 146.0 | 105.8 | 240.3 | 214.4 |
| New Tube For London | 25.8 | 88.2 | 108.0 | 150.9 | 367.5 |
| World Class Capacity | 82.6 | 143.1 | 177.7 | 158.7 | 196.2 |
| Northern Line Extension | 155.9 | 207.5 | 187.9 | 102.5 | 63.9 |
| Central Re-phasing provision | -46.4 | -157.4 | -72.5 | -38.8 | -51.7 |
| Reliability & Customer Facing Programmes | 81.6 | 63.3 | 64.1 | 32.6 | 52.6 |
| Crossrail (depots and rolling stock) | 138.1 | 347.9 | 349.9 | 114.3 | 69.1 |
| Other | 2.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total expenditure | 1,278.9 | 1,406.5 | 1,414.3 | 1,112.4 | 1,358.2 |

Table 4: TfL – Rail draft capital plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|--------------------------|--------------|-------------|-------------|--------------|--------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| Docklands Light Railway | 31.1 | 29.6 | 48.4 | 91.2 | 76.8 |
| London Overground | 92.2 | 37.1 | 42.1 | 27.3 | 22.8 |
| Trams | 13.6 | 15.0 | 8.4 | 7.4 | 6.0 |
| Emirates Air Line | 0.4 | 0.3 | 0.3 | 0.3 | 1.4 |
| Total expenditure | 137.3 | 82.0 | 99.2 | 126.1 | 107.0 |

Table 5: TfL – Surface Transport draft capital plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| Buses | 81.9 | 43.4 | 56.0 | 58.1 | 54.7 |
| Roads and Cycling | 279.2 | 230.8 | 255.3 | 379.1 | 459.4 |
| Other | 19.6 | 36.9 | 45.1 | 84.5 | 60.7 |
| Total expenditure | 380.7 | 311.1 | 356.4 | 521.7 | 574.7 |

Table 6: TfL – Corporate draft capital plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|--|----------------|----------------|--------------|--------------|--------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| Commercial Development | 78.0 | 85.3 | 113.7 | 79.9 | 85.1 |
| Future ticketing project | 26.9 | 11.9 | 0.0 | 0.0 | 0.0 |
| Other Corp capex incl. Information Management | 55.2 | 85.2 | 97.6 | 172.9 | 226.4 |
| Corporate expenditure excluding Crossrail | 160.1 | 182.5 | 211.3 | 252.7 | 311.4 |
| Crossrail contributions | 1,597.0 | 987.3 | 360.4 | 100.5 | 17.2 |
| Corporate expenditure including Crossrail | 1,757.1 | 1,169.8 | 571.7 | 353.3 | 328.6 |

Table 7: TfL - Capital financing costs

| Capital financing costs | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m |
| Minimum Revenue Provision and external interest | 470.6 | 505.8 | 532.0 | 563.1 |
| Total | 470.6 | 505.8 | 532.0 | 563.1 |

Table 8: TfL - Authorised limit for external debt

| Authorised limit for external debt | Current | Revised | Proposed | Proposed | Proposed | Proposed |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Approval | Approval | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Borrowing | 11,074.9 | 11,074.9 | 11,895.3 | 12,395.3 | 12,895.3 | 13,495.3 |
| Long term liabilities | 237.6 | 237.6 | 198.7 | 173.5 | 128.8 | 117.3 |
| Total | 11,312.5 | 11,312.5 | 12,094.0 | 12,568.8 | 13,024.1 | 13,612.6 |

Table 9: TfL - Operational limit for external debt

| Operational limit for external debt | Current | Revised | Proposed | Proposed | Proposed | Proposed |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Approval | Approval | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Borrowing | 9,982.4 | 9,982.4 | 10,840.7 | 11,340.7 | 11,840.7 | 12,440.7 |
| Long term liabilities | 237.6 | 237.6 | 198.7 | 173.5 | 128.8 | 117.3 |
| Total | 10,220.0 | 10,220.0 | 11,039.4 | 11,514.2 | 11,969.5 | 12,558.0 |

Table 10: Application of net congestion charging revenue by TfL

| Congestion charging | 2017-18 £m |
|--|-----------------------------|
| <p>Bus network improvements:</p> <p>TfL will continue to keep the bus network under regular review. Priorities will be to maintain ease of use, attractive frequencies, adequate capacity, reliability of services and good coverage in the face of growing demand.</p> | 74.7 |
| <p>Borough plans:</p> <p>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.</p> | 15.6 |
| <p>Roads and bridges:</p> <p>TfL will continue to support a programme for improving the quality of street conditions and bridges, including reconstructing and resurfacing carriageways and footways, plus upgrading and strengthening structures. Road maintenance and renewal will continue, while bridge and tunnel safety schemes at several locations will be developed.</p> | 60.8 |
| <p>Road safety:</p> <p>Investment will continue in road safety measures on TfL and borough roads via Local Investment Plan (LIP) funding, in conjunction with measures adopted by the police and boroughs. Initiatives to reduce road casualties include engineering schemes at accident hotspots and road safety campaigns.</p> | 5.2 |
| <p>Walking and cycling:</p> <p>TfL will continue a programme of improvements for both pedestrians and cyclists, both on its own roads and on borough roads. Investment will continue to be made to enhance the attractiveness of walking and cycling whilst delivering a safe, comfortable and attractive street environment.</p> | 17.4 |
| Congestion charge net revenue | 173.7 |

Table 2: LLDC - Draft Capital Plan

| Draft capital plan | Forecast | Budget | Plan | Plan | Plan |
|---|--------------|--------------|--------------|--------------|--------------|
| | Outturn | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| <i>Expenditure</i> | | | | | |
| Park Operations and Venues | 45.0 | 10.5 | 8.2 | 6.7 | 6.9 |
| Real Estate and Development | 27.7 | 77.5 | 12.7 | 31.4 | 5.4 |
| Regeneration | 1.7 | 0.6 | 0.2 | 0.2 | 0.2 |
| Cultural and Educational District | 26.2 | 11.1 | 111.5 | 236.9 | 193.5 |
| Corporate | 2.1 | 2.0 | 1.6 | 0.9 | 0.8 |
| Irrecoverable VAT & contingency | 6.3 | 2.3 | 0.3 | 0.4 | 0.6 |
| Over-programming | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total expenditure | 109.1 | 104.0 | 134.6 | 276.4 | 207.4 |
| <i>Funding</i> | | | | | |
| Borrowing | 88.0 | 46.7 | -84.6 | 165.3 | 87.6 |
| Capital receipts: Cultural and Educational District | 2.0 | 13.2 | 150.0 | 74.8 | 11.5 |
| Capital receipts: Other | 8.1 | 34.2 | 68.8 | 35.9 | 107.7 |
| Other grants and funding | 11.0 | 9.9 | 0.5 | 0.5 | 0.5 |
| Total funding | 109.1 | 104.0 | 134.6 | 276.4 | 207.4 |

Table 3: LLDC - Authorised limit for external debt

| Authorised limit for external debt | Current | Revised | Proposed | Proposed | Proposed | Proposed |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Approval | Approval | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Borrowing | 400.0 | 400.0 | 470.0 | 470.0 | 661.0 | 717.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 400.0 | 400.0 | 470.0 | 470.0 | 661.0 | 717.0 |

Table 4: LLDC - Operational limit for external debt

| Operational limit for external debt | Current | Revised | Proposed | Proposed | Proposed | Proposed |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Approval | Approval | | | | |
| | 2016-17 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m | £m |
| Borrowing | 390.0 | 390.0 | 460.0 | 460.0 | 651.0 | 707.0 |
| Long term liabilities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 390.0 | 390.0 | 460.0 | 460.0 | 651.0 | 707.0 |

Savings and Efficiencies including Shared Services

Shared services and collaborative procurement

There are a number of collaborative programmes cutting across the GLA Group through which the functional bodies work to achieve greater savings and efficiencies. 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. In addition there are formal contractual relationships that have been established, such as in the transport policing arrangement between MOPAC and TfL. Some of the arrangements and achievements in 2016-17 are outlined below.

The GLA Group collaborative procurement function

The GLA Group Collaborative Procurement Team was established in April 2015 to manage the common and low complexity procurement expenditure for the GLA and each of the functional bodies. In its first year of operation the function achieved gross cashable savings of £5.2 million and gross efficiency savings of £0.5 million for the GLA Group across a range of categories including recruitment, consultancy, financial services and office supplies and equipment. The total net savings for the GLA Group, after deducting the annual operational costs of the function, were £3.2 million. The function is governed 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.

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 billion of investments and c£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.

Business rates maximisation and council tax arrears programmes

Under the business rates retention scheme the GLA currently receives 20 per cent of all business rates income collectable by the 33 London billing authorities – a figure which will rise to 37 per cent in 2017-18 – and benefits proportionately from any real terms incremental growth in the tax base. It also receives between 10 per cent and 45 per cent of the council tax income generated across the 33 London billing authorities. Including the Crossrail business rate supplement the GLA will receive over £4 billion of income from these sources in 2017-18.

The GLA is funding a number of projects jointly with London boroughs to maximise business rates and council tax income. In relation to business rates the GLA is working collaboratively with councils in London to identify assessments by rateable value which have been omitted from or are incorrectly recorded or valued in the rating list and to maximise business rates income more generally across London. The GLA is also working collaboratively with several London boroughs to fund projects which seek to reduce council tax arrears and maximise council tax income more generally.

Moving forward the GLA will be seeking to expand the scope of these projects as we move towards 100 per cent business rates retention by 2020.

Devolution and GLA Group efficiency plans

The Mayor is working with the functional bodies, the London Boroughs, London Councils and other stakeholders to develop London devolution proposals to put to Government. An ambitious plan has been developed to further London's self-governance and devolution asks in order to promote jobs, growth and greater equality across the capital. This is alongside the detailed work ongoing on the Government's policy to devolve 100 per cent of business rates to local government in England by 2019-20.

In August the Mayor reconvened the London Finance Commission and tasked it with delivering a 'beefed up set of devolution proposals' for fiscal devolution. The original commission ran from July 2012 to April 2013 and proposed a set of reforms that included devolving the full suite of property taxes to London (including the power to set rates, bands and discounts). The current Commission is due to report its findings in the New Year and these will be considered by the Mayor before being put to the Government as appropriate.

Greater devolution to London will encourage collaborative working between the various bodies of London government and other key stakeholders. This in turn is expected to open up new opportunities for savings and efficiencies that will deliver more for Londoners.

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;
- **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.

Four year efficiency plans

In March 2016 the Secretary of State for Communities and Local Government invited local authorities to publish locally owned and locally driven four year efficiency plans. The commitment from the Secretary of State was that local authorities submitting such plans would receive the minimum four year funding allocations set out in the Local Government Finance Settlement published in February 2016, including the top-up and tariff payments relating to the current business rates retention system. The Mayor welcomes this greater certainty offered by the Government as it provides a better platform for medium term planning and opportunities for further efficiencies.

The Mayor published the GLA Group plan in accordance with the terms set out and confirmation has been given that the Group will receive the four year settlement. The Mayor's Final Draft Consolidated Budget will be published in February 2017 and this will include a section on savings and efficiencies that, read in conjunction with the rest of the budget document, will be the GLA Group's four year efficiency plan for 2017-18 to 2020-21.

Savings and efficiencies across the GLA Group

The total savings and efficiencies to 2020-21 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 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m |
| GLA: Mayor | 2.1 | 1.5 | 1.5 | 1.5 |
| GLA: London Assembly | 0.0 | 0.0 | 0.0 | 0.0 |
| MOPAC ¹ | 74.8 | -11.7 | 10.7 | 101.5 |
| LFEPa | 7.6 | 0.1 | 0.9 | 2.0 |
| TfL | 227.6 | 327.7 | 135.0 | 63.6 |
| LLDC | 3.8 | 0.9 | 1.1 | 4.5 |
| OPDC | 1.7 | 0.0 | 0.0 | 0.0 |
| Total | 317.6 | 318.5 | 149.2 | 173.1 |

1. The negative £11.7 million for MOPAC in 2018-19 relates to one-off savings identified in 2017-18. This reflects MOPAC's current saving and efficiency plans and will be reviewed and developed as part of future budget setting processes.

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 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--------------------------|------------|-------------|--------------|--------------|
| | £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 | 80.7 | 169.0 | 120.1 |
| LFEPa | 0.0 | 0.0 | 0.4 | 13.9 |
| TfL | 0.0 | 0.0 | 0.0 | 0.0 |
| LLDC | 0.0 | 4.6 | 3.8 | 0.0 |
| OPDC | 0.0 | 0.1 | 0.2 | 0.3 |
| Total | 0.0 | 85.4 | 173.4 | 134.3 |

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 2017-18.

| | Gross expenditure | Fares income | Other general income | Net expenditure before use of reserves | Use of reserves | Net expenditure after use of reserves |
|--|-------------------|-----------------|----------------------|--|-----------------|---------------------------------------|
| | £m | £m | £m | £m | £m | £m |
| Mayor's Office for Policing and Crime | 3,245.7 | 0.0 | -263.6 | 2,982.1 | -62.0 | 2,920.1 |
| GLA Mayor | 1,043.9 | 0.0 | -139.7 | 904.2 | -1.1 | 903.1 |
| GLA Assembly | 7.4 | 0.0 | 0.0 | 7.4 | 0.0 | 7.4 |
| LFEPa | 423.4 | 0.0 | -35.4 | 388.0 | 6.6 | 394.6 |
| TfL | 6,978.0 | -4,877.4 | -945.1 | 1,155.5 | 0.0 | 1,155.5 |
| LLDC | 39.9 | 0.0 | -33.6 | 6.3 | -6.3 | 0.0 |
| OPDC | 7.3 | 0.0 | -7.3 | 0.0 | 0.0 | 0.0 |
| Total other services | 8,499.9 | -4,877.4 | -1,161.1 | 2,461.4 | -0.8 | 2,460.6 |
| Total GLA Group | 11,745.6 | -4,877.4 | -1,424.7 | 5,443.5 | -62.8 | 5,380.7 |

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 | £ |
| Mayor's Office for Policing and Crime | 2,920.1 | 420.1 | 1,882.0 | 28.5 | 589.5 | 206.13 |
| GLA Mayor | 903.1 | 0.0 | 0.0 | 825.9 | 77.2 | 26.94 |
| GLA Assembly | 7.4 | 0.0 | 0.0 | 4.8 | 2.6 | 0.91 |
| LFEPa | 394.6 | 12.2 | 0.0 | 244.2 | 138.2 | 48.21 |
| TfL | 1,155.5 | 67.2 | 228.0 | 854.3 | 6.0 | 2.09 |
| LLDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OPDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Collection fund (surplus) | -12.2 | 0.0 | 0.0 | 0.0 | -12.2 | -4.26 |
| Total other services | 2,448.4 | 79.4 | 228.0 | 1,929.2 | 211.8 | 73.89 |
| Total GLA Group | 5,368.5 | 499.5 | 2,110.0 | 1,957.7 | 801.3 | 280.02 |

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 (Home Office police grant and the general element of the GLA Transport Grant and in respect of 2016-17 revenue support grant) 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) | Revised | Budget | Plan | Plan | Plan |
|--|----------------|----------------|----------------|----------------|----------------|
| | Budget | | | | |
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| | £m | £m | £m | £m | £m |
| GLA Mayor | 505.9 | 903.1 | 883.8 | 905.3 | 919.7 |
| GLA Assembly | 7.2 | 7.4 | 7.4 | 7.4 | 7.4 |
| MOPAC | 2,927.4 | 2,920.1 | 2,908.2 | 2,896.3 | 2,884.0 |
| LFEPAC | 395.0 | 394.6 | 394.6 | 394.6 | 394.6 |
| TfL | 1,344.7 | 1,155.5 | 909.3 | 891.3 | 860.3 |
| LLDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| OPDC | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Collection fund surplus council tax | -32.4 | -12.2 | 0.0 | 0.0 | 0.0 |
| Net revenue expenditure | 5,147.8 | 5,368.5 | 5,103.3 | 5,094.9 | 5,066.0 |

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 2017-18.

The Mayor's precept in respect of police services has been increased by 1.99 per cent from £202.11 to £206.13. Reflecting the impact of the assumed 2 per cent buoyancy in the taxbase this means the police council tax requirement will actually increase by £22.8 million or 4 per cent in 2017-18.

The GLA has a specific local policing element of £36.5 million within its local government settlement funding allocation for 2017-18 and future years. This relates to MOPAC's estimated share of prior year Council Tax Freeze grants. 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 and future years in order to deliver the £36.5 million sum set out in 2016-17 local government finance settlement in respect of 'London policing'. In order to deliver in full on the Home Secretary's funding settlement for policing 2017-18 an additional £1.4 million has been provided by the Mayor via retained business rates to increase the sums provided in respect of prior year council tax freeze grant from £36.5 million to £37.9 million.

TfL's share of retained business rates has been frozen in cash terms in 2017-18 in respect of the funding provided for its revenue (operational budget). In addition £960 million of retained rates income has been provided to fund TfL's capital programme via retained rates – equating to the DfT settlement allocation for its capital investment grant agreed in the 2015 spending review which the Government is proposing will be funded from business rates from 2017-18. The Mayor has made no change to the cash funding of LFEPA although due to the transfer of the GLA's revenue support grant into retained business rates the equivalent sums are now funded from that source.

Rates retention funding

The table below sets out the provisional forecast of rates retention income for 2017-18. The GLA Mayoral allocation includes an element for GLA services with the remainder being transferred into the Business rates reserve as set out in section 2. Any variances between the total income receivable and the amount allocated for services, levy and tariff payments are accounted for centrally through the Business Rates Reserve. Appendix I outlines the assumptions made in more detail for 2017-18 and the subsequent three years having regard to the planned introduction of 100 per cent business rates retention.

The allocations are indicative as the actual sums allocated will be dependent on business rates revenues generated in London although the amount the Mayor is committed to pay to LFEPA and MOPAC are expected to be no lower than the figure stated. The allocations for 2017-18 will be reviewed before the Mayor's final draft budget in order to take into account the forecasts submitted by the 33 London billing authorities on or before 31 January. The GLA expects to manage any volatility arising from these forecasts through the GLA's business rates reserve.

Forecast of business rates income in 2017-18

| | GLA Mayor ¹ £m | GLA Assembly £m | TfL £m | LFEPA £m | MOPAC £m | Total £m |
|--|---------------------------------|-----------------------|-----------|-------------|-------------|----------------|
| Total funding allocated to GLA and functional bodies for services | 82.7 | 4.8 | 1,814.3 | 244.2 | 28.5 | 2,174.5 |
| Total retained rates income allocated to the Business Rates Reserve | | | | | | 126.1 |
| Business rates income funding tariff payment to DCLG | | | | | | 720.2 |
| Total rates retention income | | | | | | 3,020.8 |
| Tariff payment to DCLG | | | | | | -720.2 |
| Forecast Levy payment on growth to DCLG | | | | | | -42.3 |
| Total forecast rates retention revenues in respect of 2017-18 (section 31 grant income and income from billing authorities) | | | | | | 2,258.2 |
| Collection fund deficit forecast – net sums repayable to billing authorities for 2016-17 and prior years | | | | | | -29.7 |
| Total assumed rates retention revenues received in 2017-18 (section 31 grant and income from billing authorities) | | | | | | 2,228.5 |

1. The business rates allocation to the GLA: Mayor includes resource used to fund LLDC and OPDC expenditure.

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 the assumed £12.2 million collection fund surplus in respect of Council Tax for 2016-17 which would be paid over by billing authorities through an adjustment to the 2017-18 instalments.

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

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

Council tax requirement for police services

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

| Council Tax requirement for police services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Net financing requirement | 2,927.4 | 2,920.1 | 2,908.2 | 2,896.3 | 2,884.0 |
| Government grants and Retained Business Rates | -2,360.7 | -2,330.6 | -2,307.0 | -2,283.0 | -2,258.4 |
| Amount for police services | 566.7 | 589.5 | 601.2 | 613.3 | 625.6 |

This is equivalent to a band D Council Tax for police services of £206.13 for 2016-17 in the 32 London boroughs (£202.11 in 2016-17).

Council tax requirement for other services

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

| Council Tax requirement for other services | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| GLA, LFEPA, LLDC, OPDC and TfL net expenditure | 2,252.8 | 2,460.6 | 2,195.1 | 2,198.6 | 2,182.0 |
| Government grants and Retained Business Rates | -2,012.8 | -2,236.6 | -1,978.9 | -1,978.2 | -1,957.2 |
| Share of borough net collection fund surplus/deficit | -32.4 | -12.2 | 0.0 | 0.0 | 0.0 |
| Amount for other services | 207.6 | 211.8 | 216.2 | 220.4 | 224.8 |

This is equivalent to a Band D Council Tax of £73.89 for 2017-18 in the City of London – the same level as in 2016-17.

Summary of proposed adjusted and unadjusted council tax by Band

The adjusted basic amount of council tax is therefore £280.02 for a Band D property (i.e. £206.13 for the Metropolitan Police plus £73.89 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 | 2017-18 | 2016-17 | Change |
|---------------|----------------|----------------|--------------|
| Band A | £186.68 | £184.00 | £2.68 |
| Band B | £217.79 | £214.67 | £3.12 |
| Band C | £248.91 | £245.33 | £3.58 |
| Band D | £280.02 | £276.00 | £4.02 |
| Band E | £342.24 | £337.33 | £4.91 |
| Band E | £404.47 | £398.67 | £5.80 |
| Band G | £466.70 | £460.00 | £6.70 |
| Band H | £560.04 | £552.00 | £8.04 |

The provisional unadjusted basic amount of council tax is £73.89 – 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 | 2017-18 | 2016-17 | Change |
|---------------|---------------|---------------|--------------|
| Band A | £49.26 | £49.26 | £0.00 |
| Band B | £57.47 | £57.47 | £0.00 |
| Band C | £65.68 | £65.68 | £0.00 |
| Band D | £73.89 | £73.89 | £0.00 |
| Band E | £90.31 | £90.31 | £0.00 |
| Band E | £106.73 | £106.73 | £0.00 |
| Band G | £123.15 | £123.15 | £0.00 |
| Band H | £147.78 | £147.78 | £0.00 |

Council tax referendum thresholds

On 15 December the Government published the draft regulations setting out the council tax referendum thresholds for 2017-18 – the ‘Referendums Relating to Council Tax Increases (Principles) (England) Report 2017-18.’ For the GLA a referendum would be required if the increase in either or both of the adjusted and unadjusted amounts of council tax was 2 per cent or higher.

The adjusted and unadjusted amounts of council tax proposed in this consultation budget are both lower than the GLA's estimate of the council tax referendum thresholds that will apply for 2016-17 (i.e. £281.51 – a 1.99 per cent increase on the adjusted amount for 2016-17 of £276.00 and £75.36 – a 1.99 per cent increase on the unadjusted amount for 2016-17 of £73.89). The council tax levels proposed in this consultation budget 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 on the basis of the draft regulations.

These regulations remain subject to formal approval by Parliament. The Mayor's final draft budget proposals will have regard to the implications of any changes made by the Government to the draft principles before they are approved by Parliament.

The Home Secretary has set out that funding settlements for the Police include the assumption that police council tax requirements will be increased by 2 per cent over the lifetime of this Parliament, along with an assumption of growth in the council taxbase. This would take into account both the impact of changes in the Band D precept as well as movements in the tax base. The Mayor is proposing a 1.99 per cent in the Band D council tax precept for police services, which taking into account the estimated 2 per cent uplift in the taxbase results in an effective 4 per cent increase in the sums provided in council tax for police services.

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 taking into account the impact of the announcements in the 2016 Autumn Statement published on 23 November 2016 and the Provisional Police, Fire and Local Government Finance Settlements published on 15 December 2016.

It also explains the underlying assumptions supporting the retained business rates forecasts and considers the impact of the move to 100 per cent business rates retention by 2020 including the GLA's proposed pilot of this in 2017-18. 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.

2017-18 Provisional Local Government and Fire Finance Settlement

The provisional 2017-18 Local Government Finance and Fire Settlement was published on 15 December and is subject to a four week consultation process which ends on 13 January. The settlement confirmed the provisional funding allocations for English local and fire authorities for 2017-18 with indicative allocations for the following two years 2018-19 and 2019-20.

The Government confirmed in the settlement announcement that it had concluded negotiations with the GLA and London Councils in respect of its proposed pilot for business rates retention in London in 2017-18. However as three of the other five English pilot areas had not yet reached agreement with the Government the GLA's published settlement figures were not updated to reflect the resulting changes. CLG has however supplied the GLA with the figures it expects to publish in the final local government finance settlement reflecting the increase in its share of retained business rates and the rolling in of the GLA's revenue support grant and the £960 million TfL capital grant. The figures published in this budget are consistent with these numbers which it is assumed will be issued in the final settlement.

Taking into account the impact of the agreed pilot the GLA's total settlement funding allocation for 2017-18 is forecast to be £2,117.2 million which will be fully financed from retained business rates.

This sum includes the GLA's former revenue support grant – of which around two thirds relates to fire and rescue funding – which is being rolled into the business rates retention scheme in April 2017. The sums rolled in are consistent with the allocations confirmed in the four year settlement announced in February 2016 i.e. £148.5 million in 2017-18, £136.4 million in 2018-19 and £127.9 million in 2019-20. An indicative figure has also been assumed for 2020-21. In 2017-18 £112 million of this former revenue support grant has been allocated to LFEPA and £28.5 million to MOPAC with the remaining £8 million apportioned between the GLA Mayoral and Assembly components.

Depending on decisions still to be taken by the Home Office it is possible that the fire and rescue element of the GLA's settlement funding baseline – estimated at £209.2 million in 2019-20 – could be removed from business rates retention and be paid via Home Office grant after 2018-19. It is the Mayor's stated preference, however, for London's fire and rescue funding to continue to be funded via the business rates retention system.

The settlement funding allocation also includes £960 million in 2017-18 in respect of former DfT (capital) investment grant which the Mayor has agreed with the Secretary of State will be rolled into the business rates retention system. This will be paid to TfL and is reflected in its capital spending plan funding in section 9 and Appendix D. In line with TfL's 2015 Spending Review letter the following amounts relating to this capital grant are included for future years - £976 million in 2018-19, £993 million in 2019-20 and £1,010 in 2020-21. This is in addition to the £854.3 million of business rates funding relating to former DfT operating and bus operators support grant already included in the baseline position in 2016-17. However, the Mayor has decided not to update this latter element of TfL's funding by the 2 per cent inflationary uplift in the business rates multiplier in 2017-18.

The LLDC and OPDC are funded from GLA resources – however for planning purposes it is assumed that the above changes in the GLA's funding will not materially affect their resource allocation from the Mayor in the current spending review period. The final local government finance settlement is expected to be issued in early February 2017 and the impact will be reflected in the Mayor's final draft budget.

The Mayor's indicative allocations of retained business rates funding for 2017-18, 2018-19 and 2019-20 consistent with the four year agreed settlement across the GLA, Assembly and functional bodies are set out in Appendix H. Illustrative numbers are also included for 2020-21.

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

On 15 December the Home Office confirmed the general grant allocations for 2017-18 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 police formula grant and general police grant allocations along with council tax support funding for local policing bodies and for MOPAC and the City of London police their National and International Capital City (NICC) allocations.

MOPAC has been allocated general police grant of £1,882.0 million in 2017-18 comprising £849.4 million of core grant, £739.3 million of former CLG formula grant, £119.7 million in council tax benefit legacy grant and £173.6 million in NICC funding.

Final specific grant allocations for policing for 2017-18 will be confirmed by the Home Office in early 2017. This will include the allocations for counter-terrorism funding. In the settlement the Home Office confirmed that revenue funding for counter-terrorism nationally has been set at £670 million. The allocations by force are however not made publicly available. In addition a further £32 million has been provided nationally for armed policing via the Police Transformation Fund.

Decisions on police funding for 2018-19 and future years were not announced. The Mayor has assumed for planning purposes that the general policing grant in 2018-19, 2019-20 and 2020-21 will be £1,858.4 million, £1,834.4 million and £1,809.8 million respectively. These figures are indicative, however, as the Home Office is intending to consult on changes to the police funding formula for 2018-19 onwards.

The GLA's settlement funding allocation within the local government finance settlement includes £36.6 million for 'London policing'. This figure represents the Government's estimated share for policing of the council tax freeze grants which have been paid to the Mayor for 2011-12, 2013-14, 2014-15 and 2015-16 which have been consolidated into the GLA's settlement funding baseline. The 2012-13 council tax freeze grant was paid on a one off basis in that financial year and was therefore not baselined into revenue support grant.

Of this sum £9.4 million has been paid to MOPAC since 2014-15 through an uplift in its council tax requirement. The balance was allocated to MOPAC through revenue support grant in 2016-17 and will therefore now be provided in 2017-18 via retained business rates. The Mayor has increased this latter figure by £1.4 million to £28.5 million in order to meet the overall funding target for MOPAC set out in the policing settlement.

Transport for London funding settlement with the Department for Transport

In 2015 the spending review the Department for Transport confirmed TfL's general (operating) grant for 2016-17 to 2018-19 alongside a longer term commitment to 2020-21 in respect of the investment (capital) grant element of its funding.

This budget assumes that £228.0 million of general (operating) GLA Transport grant will be received for the purposes of TfL in 2017-18. This is £291.3 million lower than the comparable grant for 2016-17. The operating grant is expected to cease from 2018-19 in line with TfL's 2015 Spending Review letter.

As explained above TfL's capital investment grant will be funded from 2017-18 via retained business rates. The Mayor has allocated this to TfL in 2017-18 and future years for capital purposes as reflected in its draft capital spending plan (Table 3 in Appendix D). TfL also receives other revenue and capital specific grants for specific programmes and projects which are agreed paid separately including Crossrail funding.

Funding assumptions for retained business rates for 2017-18 including the implications of the devolution to 100 per cent business rates retention

In April 2013, the Government changed the way in which local government is funded through the introduction of the business rates retention scheme. This change allowed local authorities to retain up to 50 per cent of the business rates income in their area with the remaining 50 per cent held back by central government to fund revenue support grant, the New Homes Bonus and other funding streams.

Since 2013-14 the GLA has received 20 per cent of the business rates income collectable in London and has been able to retain 73 per cent of any growth above its baseline set at the start of the system which is updated annually by the increase in the non domestic rating multiplier. London boroughs currently retain the other 30 per cent of the 50 per cent local share.

In October 2015 the Chancellor of the Exchequer announced that by the end of this parliament 100 per cent of business rates income would be devolved to local government and core grant funding via revenue support grant would end.

In addition local authorities will be permitted to reduce the non domestic rating multiplier in their areas and Mayors of Combined Authorities outside London would be permitted to apply an infrastructure levy of up to 2p on business rates bills subject to the approval of their Local Enterprise Partnership – similar to the Crossrail Business Rate Supplement which the GLA has levied since April 2010.

In July 2016 the Government issued a consultation paper ‘Self Sufficient Local Government – 100 per cent Business rates retention’ setting out its initial views as to how the 100 per cent business rates retention system will operate. London Councils and the Mayor submitted a joint response to this consultation in September 2016 which included fourteen key asks. The Government is expected to issue its response to the consultation and the draft legislation to enact the proposed changes via the Local Growth and Jobs Bill by spring 2017.

The GLA has agreed to be a pilot authority for the introduction of 100 per cent retention along with five other combined authority areas outside London in 2017-18. As set out previously based on the agreement reached between the Mayor, London Councils and the Secretary of State the GLA’s £148.5 million revenue support grant allocation and TfL’s £960 million capital investment grant is proposed to be rolled into the business rates retention system from 2017-18 onwards. On this basis it has been agreed that the GLA’s share of business rates will increase from 20 per cent to 37 per cent with a matching reduction in the current 50 per cent share retained by central government to 33 per cent. There will be no change to the 30 per cent share for London boroughs and the Corporation of London in 2017-18. This change is expected to be reflected in the final local government finance settlement and secondary legislation will be laid before Parliament in early 2017 to implement the increase in the GLA’s business rates share.

Decisions on the split of the remaining 33 per cent central share between the Mayor and boroughs by 2020 will be determined by London Government having regard to the funding and functions rolled into the retention system to ensure that the entire business rates tax take is allocated to local authorities. The Government has already announced its intention by 2019-20 to transfer in adult education and skills funding into the retention system with the GLA taking responsibility for this service in London. Other funding streams likely to be rolled in include early years funding, public health grant and Better Care Funding for social care but the precise responsibilities and funding to be transferred are still to be confirmed by the Government.

The GLA receives its business rates income directly from the 33 London billing authorities and is dependent on their forecasts and collection rates for the retained rates income it receives. 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.

From the income it receives from billing authorities the GLA is required to make an annual tariff payment to the Government equivalent to the difference between its assessed funding needs as determined by the Government and uprated business rates baseline. The remaining revenue after the tariff and – if applicable – levy payments are available to support GLA services. Authorities whose funding baseline is higher than their business rates income receive a top up.

Business rates income in London is proposed to change materially in 2017-18 due to the impact of the 2017 business rates revaluation. Based on the draft valuations published on 30 September rateable values in London will increase by 23 per cent in 2017 compared to the English average of 9 per cent.

The effect of this will be to cause the business rates multiplier to be reduced to ensure the tax take remains unchanged in real terms – as is required following a revaluation under existing legislation. The multiplier also includes an assumed adjustment for losses on appeals.

London ratepayers are forecast to see their NNDR bills rise by around £900 million or 11 per cent although in some extreme cases rates liabilities for some properties are increasing by more than 1,000 per cent. The effective rise before assumed refunds for successful appeals is closer to £1.2 billion. These increases in bills will be phased in by the Government through a transitional relief scheme – albeit for large ratepayers occupying properties with rateable values above £100,000 the cap on maximum increases in bills in 2017-18 is 42 per cent plus RPI inflation of 2 per cent with a cap of 130 per cent on increases over the next three years. In practice, however there are significant differences across the capital with rates liabilities in Hackney and Islington for example increasing on average by more than 40 per cent but a small number of outer London boroughs seeing average bills fall. By contrast bills in every other English region including in every key business sector will fall.

As revaluations are redistributive and do not raise additional revenue nationally London local government will not retain the additional revenues collected from ratepayers. These will be removed via an adjustment to tariff and top up payments.

The Mayor's consultation budget assumes that the GLA's share of total business rates income – including any section 31 grants for any government funded reliefs – will be £3,020.8 million. In addition it is estimated that the residual shortfall in revenues at 31 March 2016 compared to the sums allocated for services in 2013-14, 2014-15 and 2015-16 of around £29.7 million is still to be recovered by billing authorities. For the purposes of the consultation budget therefore this is estimated to be the collection fund deficit in respect of business rates for 2016-17. This would be recovered by billing authorities through an adjustment to their 2017-18 instalment payments.

To reflect the impact of the revaluation and the higher GLA share of retained business rates this budget assumes that the GLA's tariff payment will increase by 101 per cent or £361.6 million from £358.6 million in 2016-17 to £720.2 million in 2017-18. This reflects the GLA's 37 per cent share of the estimated £900 million plus increase in business rates liabilities in London as a result of the 2017 revaluation adjusted for September 2016 RPI inflation of 2 per cent. 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. A levy payment on growth of £42.3 million is also forecast for 2017-18.

This leaves an estimated £2,228.5 million available to support services and/or to transfer to the Business Rates Reserve to meet potential future funding challenges.

Billing authorities are required to submit their business rates forecasts for 2017-18 by 31 January which will include an updated estimate of the sums they expect to collect in 2016-17 as well as the sums they expect to collect in 2017-18. The impact of these will be reflected in the Mayor's final draft budget in February 2017.

The budget also assumes that the cost of the additional rates reliefs announced in previous Budgets and Autumn Statements which affect revenues in 2017-18 and future years including 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. DCLG 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 2017.

In determining the rates income forecasts it has also been assumed that the RPI figure used for the purposes of uprating the business rates multiplier for 2018-19 and 2019-20 will be 2.3 per cent with this dropping in 2020-21 when the uprating of the multiplier is changed from RPI to CPI. The proposed allocations of forecast business rates income for those years are set out in the relevant sections for the GLA, Assembly, MOPAC, TfL and LFEPA.

There are other potential uncertainties which could affect business rates income beyond 2017-18. In particular Government is also introducing reforms to the business rates appeals system from April 2017 and there remain significant backlogs in clearing appeals on the current 2010 rating list.

At 1 April 2016 there were around 65,000 outstanding business rates appeals 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 one third of all properties in the City of London and the City of Westminster – which by definition means these appeals will tend to be more complex and financially material.

The GLA held a provision of £165 million on its balance sheet at 1 April 2016 to meet the potential cost of refunds for these outstanding appeals and this is likely to double to over £300 million in 2017-18 as a result of its increased share of business rates. The new Check Challenge Appeal system being introduced from April 2017 will also 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. 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.

The full detail of the new devolved system is not yet known and the extent to which the GLA will be more exposed to volatility in business rates income. Further, it is not yet clear to what extent new responsibilities will be devolved to the GLA and London boroughs or the share of rates income which will be allocated to each tier. These unknown factors will impact on the judgements which will need to be made as to the level of revenues which will need to be held in the Business Rates Reserve in future years. These issues will be closely monitored and further advice will be developed for shaping the future strategy for this Reserve.

The Mayor will review his assessment of retained business rates revenues prior to the publication of his final draft budget taking into account the updated forecasts for 2016-17 and provisional estimates for 2017-18 submitted by the 33 London billing authorities by 31 January 2017.

Council tax assumptions

Each London billing authority will be required to determine its proposed council tax support and council tax base for 2017-18 by 31 January 2017 – and reflect the discounts in its council tax base which will be used for tax setting by it and the GLA. They will also be required to provide an estimated collection fund surplus or deficit outturn calculation for 2016-17 for council tax taking into account expected collection rates.

The Mayor's consultation budget assumes a 2 per cent council tax base increase in 2017-18 and subsequent years and at this stage a £12.2 million collection fund surplus estimate for 2017-18 only. He will review his assessment of the sums to be allocated from this source prior to the publication of his final draft budget taking into account the council tax base and collection fund data submitted by the 33 London billing authorities at the end of January 2017.

In 2018-19, 2019-20 and 2020-21 it is assumed for the purposes of the current Mayor's budget that the Mayor's Band D precept in the 32 boroughs will remain at the proposed level for 2017-18 of £280.02 in all three years and that the council taxbase will increase by 2 per cent year on year. It is the impact of this 2 per cent assumed taxbase growth therefore which results in the aggregate council tax requirement increasing by £16.1 million in 2018-19 £16.3 million in 2019-20 and £16.7 million in 2020-21.

The Band D precept for policing is also assumed at this stage to remain at the proposed 2017-18 level of £206.13 for the next three years. Due to the taxbase uplift, however, MOPAC's council tax requirement is assumed to increase by £11.7 million in 2018-19, £12.1 million in 2019-20 and £12.3 million in 2020-21.

The non police precept is therefore also assumed at this stage to remain unchanged at £73.89 to 2020-21 with the additional revenue from the assumed 2 per cent taxbase uplift each year being held initially within the GLA.

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.

The Mayor's council tax proposals would not trigger a referendum as he is only proposing in 2017-18 to increase the police element of the precept by 1.99 per cent or £4.02. The adjusted basic amount of council tax (i.e. the total precept payable by taxpayers in the 32 London boroughs) could be increased by up to £5.51 to £281.51 – a 1.99 per cent increase on the 2016-17 precept of £276. This would generate additional revenues of around £4.3 million more than the Mayor's proposed precept of £280.02.

The unadjusted amount of council tax for non police services payable by taxpayers in the City of London can only be increased by a maximum of £1.47 to £75.36 if a referendum is not to be triggered. If the current referendum threshold for the unadjusted precept is retained this will constrain the current and future Mayors in their ability to allocate additional council tax resources for non police services – this being the precept payable by the relatively small number of taxpayers in the Corporation of London area. The maximum permitted 1.99 per cent or £1.47 increase in the non police precept in 2017-18 would for example raise £4.3 million more compared to the gross revenue expenditure for non police services of nearly £8 billion.

The GLA will continue to lobby the Government to introduce a monetary as well as a percentage cap – similar to that granted to police forces and shire districts with low Band D council taxes – of say £5 in respect of the non police element of the precept. This would still offer significant protection to the relatively small number of taxpayers in the City of London while granting the Mayor greater flexibility over his budget across the whole of London.

Conclusion

The new financial regime introduced in April 2013 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 transition towards 100 per cent business rates retention which the Government has announced will be completed by 2020.

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.

The impact of the council tax, grant and business rates assumptions on each member of the GLA Group in terms of their forecast funding allocations is reflected in the financial tables included in Appendix G of this document. However, the assumptions for future year's police funding are dependent upon the outcome of the Government formula review.

The Mayor's final draft budget will provide updated figures reflecting the final local government, fire and police settlements once approved by Parliament and the impact of the council tax base and business rates retention forecasts provided by the 33 London billing authorities in January 2017.

Budget timetable and key dates

| Date | Description |
|------------------|--|
| 21 December 2016 | Draft consolidated budget distributed for consultation to functional bodies, the City of London Corporation, London Boroughs, London Councils and other key stakeholders. |
| 12 January 2017 | Deadline for consultation responses |
| 25 January 2017 | Mayor to present his draft consolidated budget to the London Assembly |
| 20 February 2017 | Mayor to present his final draft consolidated budget to the London Assembly. |
| 28 February 2017 | Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2017-18 and notify the Secretary of State for Communities and Local Government. |
| 31 March 2017 | 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. |

Other formats and languages

For a large print, Braille, disc, sign language video or audio-tape version of this document, please contact us at the address below:

Public Liaison Unit

Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA

Telephone **020 7983 4100**
Minicom **020 7983 4458**
www.london.gov.uk

You will need to supply your name, your postal address and state the format and title of the publication you require.

If you would like a summary of this document in your language, please phone the number or contact us at the address above.

Chinese

如果需要您母語版本的此文件，
請致電以下號碼或與下列地址聯絡

Hindi

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

Vietnamese

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

Bengali

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

Greek

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

Urdu

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

Turkish

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

Arabic

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

Punjabi

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

Gujarati

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

