
Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2017-18

PART 1

Summary

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

1 Introduction

- 1.1 The budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act").
- 1.2 The Mayor is required to determine consolidated and component council tax requirements for 2017-18 and it is these that the Assembly has the power to amend. The individual Mayor, Assembly and functional body council tax requirements are aggregated to form the consolidated council tax requirement for the GLA Group. This requirement forms the GLA Group precept which is part of the Council Tax bill for households across Greater London collected by the 33 "billing authorities" (the 32 boroughs and City of London Corporation). The arrangements for "Council Tax referenda", in the event that the GLA Group council tax requirement is deemed to be "excessive" under Government rules and the possible impact that would have on the council tax requirement setting process, are set out in a separate accompanying document, Part III of this Budget.
- 1.3 The Mayor and the Assembly have a duty to prepare and approve for each financial year a "component" budget for each of the seven "constituent bodies" within the GLA Group (that is, the Assembly, the Mayor, and each of the five functional bodies¹) and a "consolidated budget" for the GLA for the GLA Group. A "component budget" is defined as consisting of a statement of the amount of component council tax requirements for the constituent body concerned by applying "statutory calculations" under the relevant section of the GLA Act which give rise to this amount. Also, a "consolidated budget" must consist of statements of the amount of the GLA's consolidated council tax requirement for the GLA Group, being the aggregate of the amount of the component council tax requirements for each constituent body.
- 1.4 On 25 January the Assembly considered the Mayor's Draft Consolidated Budget ('draft budget'). No amendments to the draft budget were passed by the Assembly.

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

- 1.5 Following approval of the draft budget, with or without amendment, the Mayor prepares and publishes a final draft of his proposed consolidated budget for the next financial year: the Final Draft Budget. If this does not incorporate the Assembly's amendments the Mayor must state his reasons for not doing so. Also, if that final draft is different to the original draft with or without amendments, the Mayor must lay a written statement before the Assembly of his reasons for the changes. This final draft must be considered at a public meeting of the Assembly and approved with or without amendment before the last day of February. Any amendment must at this stage be agreed by at least two thirds of the Members voting (abstentions and absentees not counted). The resulting budget will be the approved consolidated budget for the financial year 2017-18.
- 1.6 The Final Draft Budget for 2017-18 laid before the Assembly is not the same as the draft budget considered and approved on 25 January 2017. The reason for the changes is set out in paragraphs 4 and 5 below.
- 1.7 The process for approval and potential amendment of the Mayor's Final Draft Budget is set out in Schedule 6 of the Act, as follows:
- a) The Mayor presents his Final Draft Budget to the Assembly;
 - b) After considering the Mayor's Final Draft Budget, the Assembly must approve it with or without amendment. The only amendments which are to be made are those agreed by at least two-thirds of the Assembly Members voting;
 - c) If no amendments are made following consideration of the Final Draft Budget, it is deemed to have been approved by the Assembly without amendment by automatic operation of the Act;
 - d) The Final Draft Budget as approved by the Assembly (with or without amendment) is to be the Authority's Consolidated Budget for 2017-18; and
 - e) It is the duty of the Assembly to approve the Final Draft Budget with or without amendment before 28 February 2017. (If the Assembly fails to meet this deadline, the Final Draft Budget presented by the Mayor is to be the Authority's Consolidated Budget for 2017-18.)
- 1.8 Annex A of this statement presents the Mayor's Final Draft Budget using the statutory calculations as defined in the Act. Separate accompanying documents provide an explanation of the budget proposals and finance and legal advice. These are based on the Draft Consolidated Budget considered by the Assembly at its meeting on 25 January, but reflect the impact of the figures provided by the 33 London billing authorities on: retained business rates; collection fund surpluses and deficits and council tax bases; and the GLA's estimate of its entitlement to section 31 grants in respect of business rates retention to compensate for Government supported reliefs for ratepayers.

2 Final Local Government Finance Settlement

- 2.1 At the time of publishing this document neither the Government's Final Local Government Finance Settlement for 2017-18 nor the local government "Excessiveness Principles" for 2017-18 for the GLA - that are expected to confirm that increases of 2 per cent or higher are deemed excessive for the purposes of the council tax referenda legislation - have been published or formally approved by the House of Commons.
-

- 2.2 Therefore the grant settlement figures set out in Part II of this Final Draft Budget reflect the expected Final Local Government Finance settlement for the GLA and also the Final Police Settlement published on 1 February 2017. Both settlements and the Excessiveness Principles will be considered by the House of Commons for formal approval on 22 February 2017 (i.e. after the Assembly's final budget meeting on 20 February 2017). They are expected to be approved by Parliament without amendment in so far as they affect the GLA and functional bodies. In the event they are approved with changes that materially affected the GLA Group and this Final Draft Budget the Mayor would consider whether it was necessary to make changes to use the substitute calculations procedure to change the approved GLA Group Consolidated Budget and council tax requirement.

3 Final Draft Budget Proposals

- 3.1 The Final Draft Budget reaffirms the Mayor's proposed increase in the Band D council tax of 1.5 per cent from £276.00 to £280.02 in 2017-18 with the entire additional sum allocated to policing. This means the police element of the precept will increase by 1.99 per cent from £202.11 to £206.13 in line with the guidelines for English police forces set out in the Home Office settlement for policing. The precept for taxpayers in the Corporation of London area which has its own police force remains unchanged from the £73.89 set out in the Draft Consolidated Budget – no change compared to 2016-17.

4 Impact of Updated Council Tax and Business Rates Retention Forecasts for 2016-17 and 2017-18 Provided by the 33 London Billing Authorities

Introduction

- 4.1 For 2017-18 the GLA is due to receive some £3.0 billion of business rates income of which £720.2 million will be paid to the Government as a fixed tariff payment, with the balance used to fund services across the GLA Group. This regime allows the GLA scope to retain some of the growth in business rates in London although a levy on this growth, paid to Government, must be applied. Based on the data submitted by the 33 billing authorities the GLA forecasts that it will have to make a levy payment of £33.5 million for 2017-18.
- 4.2 After allowing for the increase in the precept in 2017-18 and the actual change in the council tax base, the GLA is due to receive £804.8 million of council tax income.
- 4.3 In addition, the GLA is due to receive £24.8 million as its share of the estimated collection fund surpluses from billing authorities in respect of council tax at 31 March 2017 and has to repay £27.5 million as its share of the estimated aggregate collection fund deficit for retained business rates as at the same date. These figures are analysed in more detail below.

Retained Business Rates

- 4.4 In providing their estimates of income from retained business rates the 32 boroughs and the City of London have had to make assumptions on the level of appeals which are very hard to predict – in effect the sums they expect to have to repay to ratepayers because their rateable value assessed by the Valuation Office was incorrect or because there has been a material change in circumstance affecting the property since the 2005, 2010 or 2017 rating lists were compiled. Estimates of these appeals are provided for in their returns – and reduce the sums expected to be received in business rates. They also make assumptions on expected growth in 2017-18, provisions for bad and doubtful debts and reliefs to be granted to ratepayers – where the costs in some cases are funded by central government through section 31 grant (e.g. small business double rate relief). There is a significant degree of variability in approaches adopted by different billing authorities and given past experience from the first three years of the retention scheme there is a high likelihood that the final outturn figures for both 2016-17 and 2017-18 provided in June 2017 and June 2018 respectively will differ significantly from the forecasts they submitted at the end of January 2017.
- 4.5 In addition to the experience of the first three years of the retained rates scheme, the impact of the April 2017 business rates revaluation is adding a further level of uncertainty. Billing authorities must factor in assumptions on ratepayer appeals in respect of 2017-18 rates payable in the context of large rateable value changes for many of their billing areas. This is more challenging from April 2017 as a new appeals system is being introduced and it is likely as a result that the extent and scale of any challenges by ratepayers will take longer to emerge. There is therefore little certainty about the actual level of retained business rate income the GLA will receive, and considerable uncertainty over the yield will remain until the outstanding and potential future rating appeals are cleared. Accordingly, the Mayor's final budget maintains the prudent approach of budgeting to allocate retained business rates for services to each of the functional bodies as set out in the draft budget with the Business Rates Reserve providing financial cover for any budgeted shortfall.
- 4.6 The draft budget assumed that there would be a collection fund deficit in respect of retained business rates of £29.7 million in 2017-18. This adjustment is intended to allow billing authorities to recover the difference between the sums transferred to the GLA and the updated estimates of what the GLA is due to receive on the latest forecasts of rates income as at 31 March 2017. Billing authorities have now confirmed their estimated deficits at 31 March 2017 and their returns for retained business rates income for 2017-18. Overall, these returns imply forecast net business rates income in 2017-18 which is some £11.0 million greater than the GLA's planning forecasts previously assumed in the draft budget. This comprises a net change in the collection fund deficit as at 31 March 2017 of £2.2 million and an £8.8 million reduction in the forecast 2017-18 levy payable to the Government on business rates growth relative to the baseline as explained below. Billing authorities will transfer the sums due for 2017-18 net of the GLA's share of the 2016-17 collection fund deficit during the year. Any levy due for 2017-18 (if applicable) will not be payable, however, until December 2018 and will be calculated based on the actual audited outturn. Following the planned introduction of 100 per cent business rates retention from 2019-20 the levy on growth is expected to be abolished.
-

- 4.7 The draft budget forecast an increase of 117.7 per cent in 2017-18 business rates income (net of the tariff payment and forecast levy payment on growth to Government) compared to the forecast 2016-17 income. This was based on the GLA's share of business rates collected in London increasing from 20 per cent to 37 per cent combined with the Government's forecast of the increase in rateable values across London resulting from the April 2017 revaluation and the Government's forecast of the England-wide level of appeals. The increase in the GLA's share of retained business rates from 20 per cent to 37 per cent in 2017-18 reflects the GLA's Revenue Support Grant and TfL capital grant being rolled in to its share of retained business rates collected in London. The increase in 2017-18 business rates compared to 2016-17, based on the billing authorities' January 2017 returns, is 118.5 per cent.
- 4.8 The GLA's 37 per cent share of the business rates income forecast in 2017-18 by billing authorities is £149.8 million higher than the business rates baseline expected to be confirmed by the Government in the final local government finance settlement. This means that the billing authorities are forecasting growth compared to the baseline. As a result the GLA is forecasting that it will have to pay a levy of £33.5 million on this growth to Government based on the statutory methodology used to calculate retained rates income. Past experience has however highlighted the volatility between billing authorities' prior year forecasts of business rates income and actual year outturn.
- 4.9 The statutory budget calculations presented show no change in funding from retained business rates compared to the draft estimates for TfL, LFEPA, LLDC, OPDC or the Assembly. MOPAC's business rates allocation has increased by £1.1 million compared to the draft budget as explained in the MOPAC section below. After allowing for the adjustment to MOPAC's allocation all further variations in retained business rates income are managed through the GLA Mayor component budget. The balance of additional resource resulting from the billing authorities' January 2017 business rates returns are allocated to the newly created GLA Capital Reserve (see GLA: Mayor of London section below).

Council Tax

- 4.10 As a result of the net impact of growth in the number of domestic hereditaments on the valuation list in London, changes in the expected costs of providing council tax support to working age claimants and other factors (such as but not limited to changes in the number of dwellings entitled to Single Person Discount) there is a 2.4 per cent increase in the aggregate council tax bases for the 33 billing authorities in 2017-18. There are significant variations across the capital: Southwark and Tower Hamlets reported a year on year tax base increase exceeding five per cent with Camden, the Corporation of London, Enfield and Kensington and Chelsea reporting growth of less than one per cent. As a result of this tax base growth the Mayor's proposed Band D council tax precept of £280.02 will yield £3.5 million of additional precept income in 2016-17 compared to the figures assumed in the draft budget.

-
- 4.11 In addition, the GLA's share of the estimated collection fund surpluses at 31 March 2017 in respect of council tax is £24.8 million with every one of the 33 billing authorities reporting a surplus. The GLA's element of this is based on the share which the Mayor's precept represents of the total Band D council tax in each billing authority for 2016-17 and the net surplus arises because the income expected to be collected is higher than that forecast based on the council taxbases approved for budget setting in February 2016. The net surplus will reflect a number of factors including the impact of in year taxbase growth due to new properties, overall lower than expected council tax support (benefit) costs than were budgeted for by billing authorities when setting their 2016-17 council taxbases and improved collection rates.
- 4.12 The Mayor has increased the allocation of council tax income to MOPAC by £2.5 million compared to the draft budget. More details are set out in the MOPAC section of this report. The residual precept income is managed within the GLA Mayoral component with no changes proposed to the LFEPA, TfL or Assembly components compared to the draft budget (NB. LLDC and OPDC continue to have no call on the Mayor's precept)
- 4.13 The Mayor has considered the views of respondents to his Consultation Budget published on 20 December 2016. Despite the completion of the GLA's payments for the Olympic and Paralympic Games he has taken the decision to not reduce his council tax precept. This decision has been made by the Mayor for a number of reasons: the police precept is being increased by 1.99 per cent in order to put right the previous Mayor's tax policies which have led to a fall in funding for the police; volatility and uncertainty in retained business rates income needs to be managed through increasing the level of the Business Rates Reserve; and the fire service and GLA services are being protected from Government cuts to Revenue Support Grant (a £138 million cut in cumulative terms over the budget period compared to the 2016-17 amount and the reduction in RSG in 2017-18 from 2016-17 is £20 million). In light of these reasons it is the Mayor's view that cutting council tax at this time would be irresponsible and would impact upon vital services for Londoners.
-

Net Effect of Billing Authorities Business Rates and Council Tax Forecasts

- 4.14 Compared with the Draft Consolidated Budget the net impact of the billing authorities' business rates and council tax forecasts means that there is additional resource of £27.1 million in the Final Draft Budget. The details of this amount are summarised in the table below.

Net position compared with Draft Consolidated Budget	£m
Retained business rates:	
Net reduction in forecast 2016-17 collection fund deficit	+2.2
Net reduction in forecast levy payment on business rates growth	+8.8
Overall better position on retained business rates	+11.0
Council tax:	
Net increase in council tax base buoyancy in 2017-18	+3.5
Net increase in forecast 2016-17 collection fund surplus	+12.6
Overall better position on council tax income	+16.1
Overall better position on business rates and council tax income	+27.1

- 4.15 Of the additional £27.1 million only the £3.5 million increase in the council tax base buoyancy is annually recurring (assuming the tax base does not fall in future years). The remaining £23.6 million is assumed to be non-recurring.

Volatility and Uncertainty in Billing Authority Forecasts

- 4.16 Despite the benefits of the reform to business rates and the strength of council tax income which reflects the growth of London, there remains great volatility in the key income sources for the Mayor's budget.
- 4.17 This principally arises from appeals by businesses against their rating assessment and the difficulty billing authorities have in estimating the outcome of such appeals. For example, there was a decrease of £67 million (including a £10 million reduction to Section 31 grant income for the Government's business rates discounts announced in Autumn Statements 2013, 2014 and 2015) between the budgeted (January 2014) and outturn returns for 2014-15 (September 2015) on retained business rates income from billing authorities in respect of 2014-15.
- 4.18 Due to the uncertainties in forecasting business rates income, for the period 2018-19 to 2020-21 the Final Draft Consolidated Budget assumes a balanced position i.e. effectively assuming no growth or decline in the business rates baseline except that resulting from the RPI increase that is applied to the Business Rates Multiplier each year. This is unchanged from the assumptions applied in the draft budget. The position is kept under close review and in particular it will be reviewed in light of the billing authorities' 2016-17 business rates outturn returns, drafts of which will be sent to the GLA at the end of April 2017.

- 4.19 There is also significant volatility in council tax forecasts arising in part from the growth in the number of properties liable to pay the tax and the impact of the localisation of council tax support. The £24.8 million collection fund surplus for council tax forecast for 2016-17 is £7.6 million lower the corresponding figure (£32.4 million) for 2015-16 and is more than five times the equivalent calculation used in the Mayor's 2009-10 budget and compares with a seven year average of £6.2 million before the introduction of localised council tax support. The 2.4 per cent increase in the council tax base is less than the 3.1 and 3.4 per cent increases seen in 2015-16 and 2016-17 and compares to a seven year average of 0.9 per cent prior to the introduction of localised council tax support. This illustrates the potential scale of the volatility between billing authority forecasts used for budgeting purposes and the actual outturn data at the year-end – as well as the difficulty of accurately predicting what their outturn will be.
- 4.20 This volatility and hence uncertainty over the forecasts of rates retention and council tax income has been borne out by recent experience with reductions and corrections being made in following years and this potential volatility is particularly compounded by the April 2017 business rates revaluation which saw large changes in rateable value in a number of areas of London. Looking forward there is also need to have regard to the potential changes to the business rates regime – including the move to 100 per cent rates retention for London Government, which is expected by 2019-20.

5 Budget proposals

Consolidated Council Tax Requirement

- 5.1 The Mayor's proposed consolidated council tax requirement is £804.8 million – around £3.5 million higher than in the draft budget. This reflects the impact of the additional revenues generated from the buoyancy in the council taxbase. Details of the allocation of this additional flexibility and other issues arising are set out below, where relevant for each functional body.

Mayor of London

- 5.2 The GLA has agreed, as announced on 24 January, to contribute up to £70 million towards the funding package for a new Museum of London to be constructed at West Smithfield by 2022. The GLA's funding for this will be provided as a long term revenue contribution to the City of London Corporation who are joint statutory funders of the Museum with the GLA and who will provide the cash flow for the GLA's £70 million contribution. There is £4.0 million in respect of this included in the 2017-18 budget which is made possible from the additional resource available after analysing the billing authority council tax and business rates January 2017 returns. This is subject to conclusion of a Heads of Terms for the project with the Museum and the Corporation and a separate legal agreement with the Corporation for the provision of the GLA's funding.
- 5.3 The Royal Docks Enterprise Zone (EZ) became operational in April 2013 and the growth in business rates above the 2013 baseline from within the designated area can be retained for 25 years. The GLA is the accountable body for the EZ which is located wholly within the London Borough of Newham and has the potential to deliver up to 40,000 jobs and 4,000 homes. Agreement has been reached with the Council over governance arrangements and the operational framework for the collection and use of the business rates. A dedicated team and early delivery projects to accelerate development are under consideration, but this would be budget neutral, being funded from ring fenced EZ business rates.

- 5.4 The Mayor's draft budget highlighted that £48.6 million of general reserves balances was earmarked to create a new capital reserve (after taking into account amounts which may be necessary for other specific purposes). It is intended that the balance on the additional retained business rates and council tax income of £19.3 million, after allowing for the allocations described elsewhere in this document, be allocated to the capital reserve. Therefore, it is estimated that this reserve will be £67.9 million at 1 April 2017.
- 5.5 This reserve may provide a source of funding for potential projects which fall outside of the Government funded schemes in Housing and Land and those arising from the Government's Growth Deal 3. Projects that may be funded from this reserve include continuing the GLA's tree planting and parks programmes, establishing a GLA controlled energy supply company, support for smart meters, the buildings retrofit programme, and other measures to develop new and innovative approaches to energy efficiency, starting with an early trial of net-zero-energy retrofitting of homes. The reserve may also be available to support a range of cultural programmes including a Creative Land Trust to support London's artists through the provision of affordable creative workspace across the capital and the establishment of Creative Enterprise Zones. Proposals for use of this reserve will be taken forward in the new financial year.
- 5.6 The Mayor has also allocated £122,000 for an additional air quality project and £128,000 for the Mayor's Young Musicians Fund to allow one music scholarship for each Borough. These will be funded from the surplus in the Assembly's Development and Resettlement Reserve.

London Assembly

- 5.7 The Mayor has taken the decision that the £0.5 million of one-off funding released from the Assembly's Development and Resettlement Reserve will be used to fund 2017-18 knife crime programmes in the MOPAC budget and additional one-off spend as described directly above.

Mayor's Office for Policing and Crime (MOPAC)

- 5.8 MOPAC's council tax requirement has been increased by £2.5 million compared to the Draft Consolidated Budget and the business rates allocation to MOPAC has increased by £1.1 million.
- 5.9 The Mayor has allocated £0.25 million of the Assembly's surplus one-off reserve of £0.5 million to MOPAC for knife crime programmes. The release of the reserve is managed through the GLA Mayor component budget and the funding is received by MOPAC as additional business rates income.
- 5.10 The remaining £3.3 million additional allocation in 2017-18, and recurring each year thereafter, provides additional support to MOPAC to help maintain police officer numbers. It also reflects MOPAC's share of the additional Council Tax buoyancy arising from billing authorities' returns consistent with the Mayor's decision to increase the police precept by 1.99 per cent from £202.11 in 2016-17 to £206.13 in 2017-18, in accordance with the Home Office's expectations.
- 5.11 Accordingly in 2017-18 £2.5 million of the £3.3 million is allocated through the increase in the tax base compared to the draft budget with the remaining £0.8 million made up of additional business rates income. Details of future years' plans for carrying forward this ongoing £3.3 million to MOPAC are set out in Part II.

- 5.12 The Mayor has raised concerns about the deliverability of the assumed savings arising from the Met's transformation programme. He asked MOPAC and the MPS to review again the assumptions behind their savings to ensure that all of the figures are robust. This further review by MOPAC and MPS has identified higher than anticipated ICT related costs, with lower planned ICT savings and slippage in fleet and property related savings.
- 5.13 Whilst further work is being undertaken to review costs and plans the Mayor is not presently confident that all the original assumptions can be sustained. Accordingly, pending the conclusions of this review, the savings to be identified in the MOPAC budget have been increased by £64.6 million in cumulative terms by 2020-21 compared to the draft budget. Further, earmarked reserves have also been reduced by £13.6 million by 2020-21 from £44.9 million in the draft budget to £31.3 million. These higher level of savings required and greater use of reserves demonstrate the financial challenges faced by MOPAC and MPS. Work will continue to ensure that MOPAC's Medium Term Financial Strategy is robust and deliverable.
- 5.14 As a result of this review there has also been a reduction in the planned level of capital spending from £1,587.5 million to £1,415.6 million over the five year period 2016-17 to 2020-21. Re-profiling of the expenditure across the period has also been included to reflect the capacity and capability of the MPS to deliver the programme.
- 5.15 As a result of the reduction in total expenditure there is a significantly lower need to borrow. The revised programme now expects borrowing to be £290 million. There is no planned new borrowing for 2017-18. The changes to prudential indicators arising from the change in the capital programme are set out in Part 2 of the Final Draft Consolidated Budget.

London Fire and Emergency Planning Authority (LFEPA)

- 5.16 LFEPA's budget has been updated to reflect its latest budget plans. There is no change to the funding allocations to LFEPA set out in the draft budget but LFEPA's latest budget plans show a reduction of the savings to be identified in 2019-20 and 2020-21 from £0.4 million and £13.9 million respectively (on a cumulative basis), to £0.0 million and £9.1 million. There are also increases in the savings and efficiencies identified in 2017-18 and 2019-20 from £7.6 million to £7.8 million and £0.9 million to £1.0 million respectively.
- 5.17 The Policing and Crime Act has now been granted Royal Assent. The Home Office has confirmed that its intention is for LFEPA's last day of operation to be 30 September 2017 with the new governance arrangements to commence on 1 October 2017.

Future Years

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

6 The Impact on Local Taxpayers and Council Tax Referendum Issues

- 6.1 In deciding on the proposed spending plans across the GLA group of just under £16 billion gross the key priorities have been to protect fare payers and to help ensure Londoner's safety by increasing the police precept to the level assumed by the Government when it determined the Police Funding Settlement.
- 6.2 The Mayor's budget requires a Band D council tax of £280.02 for 2017-18 in the 32 London boroughs - £4.02 per annum or 8p per week higher than in 2016-17. The entire increase will be invested to help maintain police officer numbers across London. The non-police precept paid by council taxpayers the area of the Common Council of the City of London remains unchanged at £73.89. These Band D amounts are estimated to generate £804.8 million in council tax revenues.
- 6.3 Details of the provisions for the holding of Council Tax referendums are set out in Part III. The local government "Excessiveness Principles" for 2017-18 for the GLA is likely to be considered by Parliament for approval on 22 February 2017; after the date of the Assembly's final budget meeting on 20 February 2017. The published draft principles state that increases of 2 per cent or higher in the GLA's relevant basic amount of council tax is to be deemed excessive for the purposes of the council tax referenda legislation. This position is not expected to change and this Final Draft Budget has been prepared on that basis.
- 6.4 As a result the Mayor confirms that neither (1) the "adjusted" relevant basic amount of council tax (which applies in the 32 boroughs throughout Greater London outside the City of London), and (2) the "unadjusted" relevant basic amount of council tax (which applies within the area of the City of London only) are excessive for the purposes of the anticipated local government "Excessiveness Principles" for 2017-18. (For either figure to be regarded as excessive the 32 borough figure would have to increase to £281.51 or above and the City figure to £75.36 or above.)

7 Conclusions

- 7.1 In considering the Mayor's budget proposals and any amendments they wish to make at this stage, Assembly Members must also consider the need to secure a financially balanced budget and achieve a balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost.
- 7.2 In commending the budget proposals to the Assembly the Mayor believes that Londoners recognise and support his plans to increase the police precept to help maintain officer numbers.
- 7.3 The Mayor is satisfied that he has weighed respective interests fairly and that his increase in the council tax will help the front line service delivery of his statutory and discretionary responsibilities. The Mayor believes that the proposals will make a significant contribution to improving Londoners' quality of life and supporting London's economy.
-

8 Recommendations

- 8.1 On the basis of the information set out in this statement and accompanying documents, that the Assembly approves, without amendment, the Mayor's final draft consolidated budget and the GLA Group council tax requirement for the GLA and the functional bodies of £804,779,495 as contained in Annex A.
- 8.2 The council tax requirement is after applying the GLA's share of the net surplus or deficit on the collection funds of the 33 billing authorities (assumed at this stage to be a £24.8 million surplus in respect of council tax and a £27.5 million deficit in respect of retained business rates) which falls within the component budget for the Mayor of London for the purpose of these statutory calculations under sections 85 to 88 of the GLA Act.
- 8.3 This final draft consolidated council tax requirement is made up as follows:

<i>Constituent body</i>	<i>Component council tax requirement</i>
Mayor of London	£65,891,423
London Assembly	£2,615,000
Mayor's Office for Policing and Crime	£592,035,072
London Fire and Emergency Planning Authority	£138,238,000
Transport for London	£6,000,000
London Legacy Development Corporation	£NIL
Old Oak and Park Royal Development Corporation	£NIL
Total Consolidated Council Tax Requirement	£804,779,495

Sadiq Khan

Mayor of London

Annex A

Final draft component and consolidated council tax requirements 2017-18

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

Line	Sum	Description
1	£1,025,358,558	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
2	£1,900,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
3	£84,314,092	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
4	£27,458,336	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act reflecting the collection fund deficit for retained business rates
5	£1,139,030,986	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Mayor (lines (1) + (2) + (3) + (4) above)
6	-£139,700,000	estimate of the Mayor's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
7	£0	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
8	£0	estimate of the Mayor's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
9	-£908,619,021	estimate of the Mayor's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
10	-£24,820,542	estimate of the Mayor's share of any net collection fund surplus for the 33 London billing authorities for council tax calculated in accordance with s85(5)(a) of the GLA Act
11	-£1,073,139,563	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (6) + (7) + (8) + (9) + (10))
12	£0	estimate of Mayor's reserves to be used in meeting amounts in line 5 above under s85(5)(b) of the GLA Act
13	-£1,073,139,563	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Mayor (lines (11) + (12) above)
14	£65,891,423	the component council tax requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (13) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the Mayor for 2017-18 is £65,891,423

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

Line	Sum	Description
15	£7,400,000	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the GLA Act
16	£0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the GLA Act
17	£0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the GLA Act
18	£0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the GLA Act
19	£7,400,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Assembly (lines (15) + (16) + (17) + (18) above)
20	£0	estimate of the Assembly's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
21	£0	estimate of the Assembly's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
22	£0	estimate of the Assembly's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
23	-£4,785,000	estimate of the Assembly's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
24	£0	estimate of the Assembly's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
25	-£4,785,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (line (20) + (21) + (22) + (23) + (24))
26	£0	estimate of Assembly's reserves to be used in meeting amounts in lines 19 above under s85(5)(b) of the GLA Act
27	-£4,785,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Assembly (lines (25) + (26) above)
28	£2,615,000	the component council tax requirement for the Assembly (being the amount by which the aggregate at (19) above exceeds the aggregate at (27) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the Assembly for 2017-18 is £2,615,000

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

Line	Sum	Description
29	£3,269,158,972	estimated expenditure of the MOPAC calculated in accordance with s85(4)(a) of the GLA Act
30	£0	estimated allowance for contingencies for the MOPAC under s85(4)(b) of the GLA Act
31	£0	estimated reserves to be raised for meeting future expenditure of the MOPAC under s85(4)(c) of the GLA Act
32	£0	estimate of reserves to meet a revenue account deficit of the MOPAC under s85(4)(d) of the GLA Act
33	£3,269,158,972	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the MOPAC (lines (29) + (30) +(31) + (32) above)
34	-£263,562,000	estimate of the MOPAC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
35	-£420,143,000	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
36	-£1,882,068,900	estimate of the MOPAC's income in respect of general government grants (revenue support grant, core Home Office police grant and principal police formula grant) calculated in accordance with s85(5)(a) of the GLA Act
37	-£29,550,000	estimate of the MOPAC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
38	£0	estimate of MOPAC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
39	-£2,595,323,900	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (34) + (35) + (36) + (37) +(38))
40	-£81,800,000	estimate of MOPAC's reserves to be used in meeting amounts in line 33 above under s85(5)(b) of the GLA Act
41	-£2,677,123,900	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the MOPAC (lines (39) + (40) above)
42	£592,035,072	the component council tax requirement for MOPAC (being the amount by which the aggregate at (33) above exceeds the aggregate at (41) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the MOPAC for 2017-18 is £592,035,072

London Fire and Emergency Planning Authority (“LFEPA”) final draft component budget

Line	Sum	Description
43	£426,750,000	estimated expenditure of LFEPA for the year calculated in accordance with s85(4)(a) of the GLA Act
44	£0	estimated allowance for contingencies for LFEPA under s85(4)(b) of the GLA Act
45	£2,750,000	estimated reserves to be raised for meeting future expenditure of LFEPA under s85(4)(c) of the GLA Act
46	£0	estimate of reserves to meet a revenue account deficit of LFEPA under s85(4)(d) of the GLA Act
47	£429,500,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LFEPA (lines (43) + (44) + (45) + (46) above)
48	-£34,900,000	estimate of LFEPA’s income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
49	-£12,200,000	estimate of LFEPA’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
50	£0	estimate of LFEPA’s income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
51	-£244,162,000	estimate of LFEPA’s income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
52	£0	estimate of LFEPA’s share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
53	-£291,262,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (48) + (49) + (50) + (51) + (52))
54	£0	estimate of LFEPA’s reserves to be used in meeting amounts in line 47 above under s85(5)(b) of the GLA Act
55	-£291,262,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFEPA (lines (53) + (54) above)
56	£138,238,000	the component council tax requirement for LFEPA (being the amount by which the aggregate at (47) above exceeds the aggregate at (55) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for LFEPA for 2017-18 is £138,238,000.

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

Line	Sum	Description
57	£6,978,000,000	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the GLA Act
58	£0	estimated allowance for contingencies for TfL under s85(4)(b) of the GLA Act
59	£0	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the GLA Act
60	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the GLA Act
61	£6,978,000,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the TfL (lines (57) + (58) + (59) + (60) above)
62	-£5,822,500,000	estimate of TfL's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
63	-£67,200,000	estimate of TfL's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
64	-£228,000,000	estimate of TfL's income in respect of general government grants (revenue support grant and GLA Transport General Grant) calculated in accordance with s85(5)(a) of the GLA Act
65	-£854,300,000	estimate of TfL's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
66	£0	estimate of TfL's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
67	-£6,972,000,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act for TfL (lines (62) + (63) + (64) + (65) + (66) above)
68	£0	estimate of TfL's reserves to be used in meeting amounts in line 61 above under s85(5) (b) of the GLA Act
69	-£6,972,000,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act (lines (67) + (68))
70	£6,000,000	the component council tax requirement for TfL (being the amount by which the aggregate at (61) above exceeds the aggregate at (69) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for TfL for 2017-18 is £6,000,000.

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

Line	Sum	Description
71	£39,900,000	estimated expenditure of LLDC for the year calculated in accordance with s85(4)(a) of the GLA Act
72	£0	estimated allowance for contingencies for LLDC under s85(4)(b) of the GLA Act
73	£0	estimated reserves to be raised for meeting future expenditure of LLDC under s85(4)(c) of the GLA Act
74	£0	estimate of reserves to meet a revenue account deficit of LLDC under s85(4)(d) of the GLA Act
75	£39,900,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LLDC (lines (71) + (72) + (73) + (74) above)
76	-£16,800,000	estimate of LLDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
77	£0	estimate of LLDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
78	£0	estimate of LLDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
79	-£16,800,000	estimate of LLDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
80	£0	estimate of LLDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
81	-£33,600,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (76) + (77) + (78) + (79) + (80))
82	-£6,300,000	estimate of LLDC's reserves to be used in meeting amounts in line 75 above under s85(5)(b) of the GLA Act
83	-£39,900,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LLDC (lines (81) + (82) above)
84	£0	the component council tax requirement for LLDC (being the amount by which the aggregate at (75) above exceeds the aggregate at (83) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the LLDC for 2017-18 is £0.

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

Line	Sum	Description
85	£7,300,000	estimated expenditure of OPDC for the year calculated in accordance with s85(4)(a) of the GLA Act
86	£0	estimated allowance for contingencies for OPDC under s85(4)(b) of the GLA Act
87	£0	estimated reserves to be raised for meeting future expenditure of OPDC under s85(4)(c) of the GLA Act
88	£0	estimate of reserves to meet a revenue account deficit of OPDC under s85(4)(d) of the GLA Act
89	£7,300,000	aggregate of the amounts for the items set out in s85(4) of the GLA Act for OPDC (lines (85) + (86) + (87) + (88) above)
90	-£4,800,000	estimate of OPDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
91	£0	estimate of OPDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
92	£0	estimate of OPDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
93	-£2,500,000	estimate of OPDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
94	£0	estimate of OPDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
95	-£7,300,000	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (90) + (91) + (92) + (93) + (94))
96	-£0	estimate of OPDC's reserves to be used in meeting amounts in line 89 above under s85(5)(b) of the GLA Act
97	-£7,300,000	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for OPDC (lines (95) + (96) above)
98	£0	the component council tax requirement for OPDC (being the amount by which the aggregate at (89) above exceeds the aggregate at (97) above calculated in accordance with section 85(6) of the GLA Act)

The final draft component council tax requirement for the OPDC for 2017-18 is £0.

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

Line	Sum	Description
99	£804,779,495	the GLA’s consolidated council tax requirement (the sum of the amounts in lines (14) + (28) + (42) + (56) +(70) +(84) + (98) calculated in accordance with section 85(8) of the GLA Act)

The final draft consolidated council tax requirement for the GLA for 2017-18 is £804,779,495

Annex A**Aggregate GLA Group budget for 2017-18**

Estimated Expenditure

£	GLA Mayor	GLA Assembly	MOPAC	LFEPA	TfL	LLDC	OPDC	Total
Estimated expenditure	£1,025,358,558	£7,400,000	£3,269,158,972	£426,750,000	£6,978,000,000	£39,900,000	£7,300,000	£11,753,867,530
Estimated allowance for contingencies	£1,900,000	£0	£0	£0	£0	£0	£0	£1,900,000
Estimated reserves to be raised for meeting future expenditure	£84,314,092	£0	£0	£2,750,000	£0	£0	£0	£87,064,092
Estimate of reserves to meet a revenue account deficit including forecast collection fund deficit for retained business rates	£27,458,336	£0	£0	£0	£0	£0	£0	£27,458,336
Estimated total expenditure	£1,139,030,986	£7,400,000	£3,269,158,972	£429,500,000	£6,978,000,000	£39,900,000	£7,300,000	£11,870,289,958

Annex A

Estimated Income and Calculation of Council Tax Requirement

£	GLA Mayor	GLA Assembly	MOPAC	LFEPA	TfL	LLDC	OPDC	Total
Estimate of non government grant income	-£139,700,000	£0	-£263,562,000	-£34,900,000	-£5,822,500,000	-£16,800,000	-£4,800,000	-£6,282,262,000
Estimate of specific government grant income	£0	£0	-£420,143,000	-£12,200,000	-£67,200,000	£0	£0	-£499,543,000
Estimate of general government grant income	£0	£0	-£1,882,068,900	£0	-£228,000,000	£0	£0	-£2,110,068,900
Estimate of Retained Business Rates income	-£908,619,021	-£4,785,000	-£29,550,000	-£244,162,000	-£854,300,000	-£16,800,000	-£2,500,000	-£2,060,716,021
Collection fund surplus for council tax	-£24,820,542	£0	£0	£0	£0	£0	£0	-£24,820,542
Estimated total income before use of reserves	-£1,073,139,563	-£4,785,000	-£2,595,323,900	-£291,262,000	-£6,972,000,000	-£33,600,000	-£7,300,000	-£10,977,410,463
Estimate of reserves to be used	£0	£0	-£81,800,000	£0	£0	-£6,300,000	£0	-£88,100,000
Estimated total income after use of reserves	-£1,073,139,563	-£4,785,000	-£2,677,123,900	-£291,262,000	-£6,972,000,000	-£39,900,000	-£7,300,000	-£11,065,510,463
Council tax requirement	£65,891,423	£2,615,000	£592,035,072	£138,238,000	£6,000,000	£0	£0	£804,779,495
COUNCIL TAXBASE	2,879,204.53	2,879,204.53	2,872,144.14	2,879,204.53	2,879,204.53	2,879,204.53	2,879,204.53	
BAND D COUNCIL TAX	£22.89	£0.91	£206.13	£48.01	£2.08	£0.00	£0.00	£280.02