SUPPLEMENTARY AGENDA

Meeting: **London Assembly (Plenary)**

Date: **Wednesday 26 January 2022**

Time: **10.00 am**

Place: **Chamber, City Hall,**
Kamal Chunchie Way, London, E16 1ZE

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In accordance with section 100(B)(4) of the Local Government Act 1972, the Chair has agreed to accept the following item as urgent business, on the grounds that the report was only available following the publication of the agenda and in order that the Assembly can receive the response to the Mayor of London's GLA Group Budget Proposals and Precepts 2022-23 Consultation prior to considering and debating the draft Consolidated Budget for the GLA Group 2022-23.

Wednesday 19 January 2022
Proper Officer: Mary Harpley, Chief Officer

Agenda

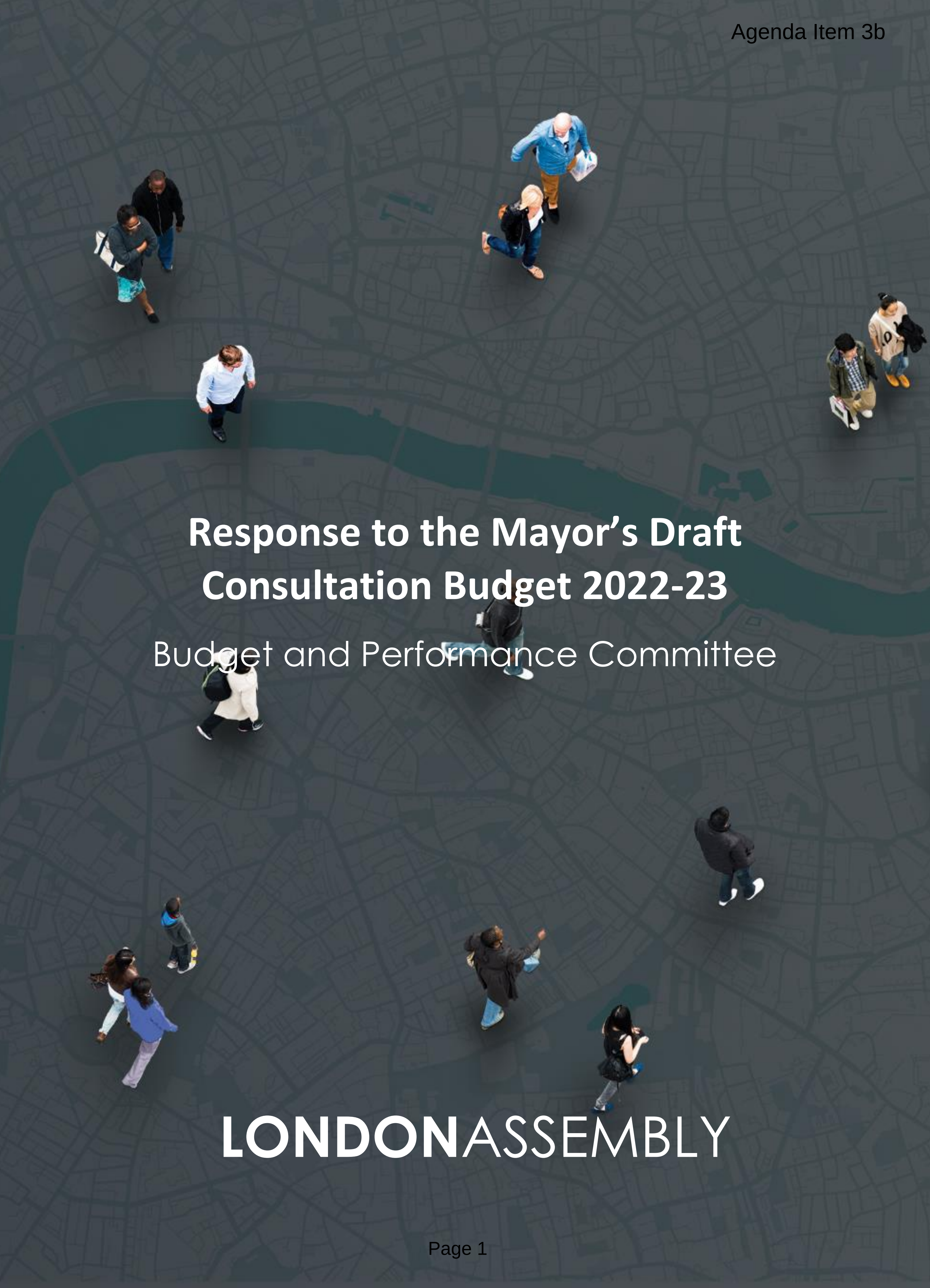
London Assembly (Plenary)

Wednesday 26 January 2022

3 Draft Consolidated Budget for 2022-23

3b Response by the London Assembly's Budget and Performance Committee to the Mayor of London's GLA Group Budget Proposals and Precepts 2022-23 Consultation (Pages 1 - 74)

The document sets out the London Assembly's Budget and Performance Committee's response to the Mayor's budget proposals for 2022-23, based on evidence taken from the functional bodies and the Greater London Authority (GLA) during the budget development and consultation processes. It highlights the key issues raised during the Committee's deliberations and offers comments to the Mayor on his consultation budget. The Budget and Performance Committee's comments relate to the Mayor's proposals that were published for consultation on 22 December 2021 and not on the draft Consolidated Budget published with this agenda.



Response to the Mayor's Draft Consultation Budget 2022-23

Budget and Performance Committee

LONDONASSEMBLY

Budget and Performance Committee

The Budget and Performance Committee holds the Mayor to account for his financial decisions and performance across the Greater London Authority. It is responsible for scrutinising the Mayor's budget proposals for the next year, and carrying out investigations across the Mayor's various policy areas, such as transport, police, fire, housing and regeneration.

Contact us

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Foreword

Susan Hall AM
Chairman of the Budget and Performance Committee

Over the past few months, the London Assembly's Budget and Performance Committee has reviewed the Greater London Authority (GLA) Group Budget, which continues to be shaped by the impact that the COVID-19 pandemic is having on its finances. The London Assembly has a responsibility to ensure that all taxpayers' money is spent in a way that provides the best service for Londoners. Our Committee reviewed the 2022-23 Mayor's Consultation Budget in light of the budget issues facing the GLA. This report raises serious and urgent questions that must be addressed to deal with the big financial challenges facing the Mayor and the GLA.

Transport for London (TfL) has been making headlines since the start of the pandemic as we've seen the Mayor and the Government trying to agree funding deals to keep the capital's transport networking running. TfL has received over £4 billion in short-term funding settlements to keep it running. The latest financial deal that has been agreed only runs until February 2022. Big questions and decisions are being made now on TfL's long-term financial stability. The income from opening of the Elizabeth Line will be a welcome boost to the TfL finances. However, to rely on fares alone to fund the transport network may no longer a credible approach to financing. Lives have changed and we do not know if travel in our capital will ever reach the levels that we've seen in recent years again. TfL is becoming increasingly reliant on Council Tax funding, but a long-term funding gap still remains to be addressed.

The Government has promised England and Wales an extra 20,000 police officers, without setting out which forces get how many. The Mayor and the Met Police anticipated an extra 6,000 police officers without confirmation of Government funding. It has been confirmed that London's share of the 20,000 is nearer to 4,500. This raises a question around how the proposed budget for the full extra 6,000 police officers will be funded. It makes no sense for the Mayor's Office for Policing and Crime (MOPAC) to set out a budget that it so clearly cannot afford. It is difficult to view the MOPAC budget as anything other than a wish list.

Since the tragic Grenfell Tower fire in 2017, and the critical watchdog report from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) in 2020, it is evident that the London Fire Brigade (LFB) needs to continue to change. Commissioner Andy Roe has promised to deliver a transformation programme to make the LFB more efficient to better protect Londoners across all areas of the city.

The London Legacy Development Corporation (LLDC) continues to underdeliver on the proportion of affordable housing that this part of London so desperately needs. Around a third of the planned 33,000 homes have now been delivered, of which only 23 per cent are affordable. Action needs to be taken now to ensure the remaining homes include a more acceptable level of affordable homes to fully deliver on this unique opportunity. The London Stadium, the former 2012 main Olympic athletics stadium and now home to the Premier League team West Ham United will always keep costing Londoners. This significant financial burden needs to be minimised and so we remain once again disappointed by the lack of progress in securing much-needed income from naming rights of the Stadium and other park assets.

Before the COVID-19 pandemic, our Committee already had serious concerns about the Old Oak and Park Royal Development Corporation (OPDC). Despite spending £39 million to date, the OPDC has little to show for it. The north-west London site remains broadly the same as five years ago. The concept of the OPDC is a good one. The original plans from 2015 show that the site was going to create 25,500 homes and 65,000 jobs, with excellent transport links. The OPDC Chief Executive made the point that this area has the distinct advantage over traditional developments in that the additional transport requirement has already been solved. However, as it stands today, little has been done on the ground to bring these new jobs or homes to the area.

Executive summary

The Mayor's Consultation Budget was issued shortly after the publication of the provisional local government and police financial settlement for 2022-23 were published. The Mayor's Budget confirmed that the Mayor has proposed an increase to the London Council Tax precept for 2022-23 to fund TfL and policing in London. This additional income was not included in proposed budget submissions made by TfL and MOPAC.

The COVID-19 pandemic has had a significant and sustained impact on TfL's finances. The TfL 2022-23 Budget reflects the expected bounce-back from the pandemic with passenger income forecast to increase from £1.6 billion in 2020-21 to £3.1 billion in 2021-22, and to £4.5 billion in 2022-23. In 2019-20 TfL's passenger income had been £4.8 billion. The negotiations with the Government on the future of London's transport system are critical to the future shape of TfL's finances.

The current Government funding agreement for TfL was initially scheduled to end on 11 December 2021. It was initially extended to 17 December 2021 and subsequently to 4 February 2022. TfL requires £245 million until the end of the financial year 2021-22. The draft TfL 2022-23 budget proposals state that TfL cannot balance its budget in 'any of the upcoming financial years to 2024-25 without extraordinary Government support'.

The assumptions set out in the TfL draft budget reflect a 'managed decline' scenario, which assumes no Government revenue funding after 2022-23 and capital funding maintained through devolved Business Rates. The impact of a 'managed decline' scenario could see an 18 per cent reduction in buses and a 9 per cent reduction in Tube and Rail by 2024-25. This could mean over 100 bus routes are withdrawn and 200 routes are reduced.

The total TfL budgeted income for 2022-23 reflects the full year impact of the Ultra Low Emission Zone (ULEZ), the Northern Line extension and the opening for part of the year of Elizabeth Line operations in the central section. It also includes changes to the Congestion Charge.

MOPAC's budget submission, which was made before the provision police funding settlement was known, included an optimistic expectation of additional Government funding for 3,287 additional police officers in 2022-23. Only funding for 1,363 additional police officers was included in the provisional police funding settlement published in December 2021. In the Mayor's Consultation Budget MOPAC has reduced the number of officers down to the funded level, but has left the unfunded officers in its 2023-24 and 2024-25 plans. MOPAC is also budgeting for an additional revenue expenditure over the next three years, despite projecting significant structural budget gaps over the same period, surpassing £37 million in 2024-25.

The LFB provides vital frontline services to protect the capital's 8.6 million residents. In recent years, the role and presence of the fire service has had renewed significance and complexity. In particular, the Grenfell tragedy in 2017 has increased demands on the service. The fire brigade forecasted an £8.8 million budget deficit in 2023-24, which was intended to be funded by a draw down on its Budget Flexibility Reserve (BFR). The LFC needs to make further savings in future years but, to date, no clear, concrete savings proposals have been developed, which risk being undelivered unless managed properly at an early stage. The Mayor's budget for the GLA Core continues to be underpinned by the drawing down of one-off reserves.

The LLDC's stadium operator E20 Stadium LLP continues to require a subsidy, with a £24.8 million loss for 2020-21. There are currently no effective commercial strategies to limit the operating subsidy and no progress in agreeing a naming rights contract.
There has been only modest delivery, by LLDC, against affordable housing targets, with only 23 per cent affordable housing completions achieved to date and the level of permissions for affordable housing, although improving, remain lower than the Mayor's London Plan target.

The OPDC has developed its revised Local Plan and a strategic outline business case for discussions with Government. In order that the significant potential of this project can be fulfilled, OPDC require the revised Local Plan to be approved, funding to be agreed with Government and land to be secured. The OPDC has still not secured any land five years after agreeing a Memorandum of Understanding with the Department for Transport (DfT) around the use of its land holdings.

Recommendations

GLA Group

Recommendation 1

Given the scale of additional funding applied to the Mayor's budget every February in his Final Draft Budget, indicative allocations for any additional funding should be shared with this Committee along with budget proposals.

Recommendation 2

The Mayor should commission a review into the timing of the statutory budget process which should inform his budget guidance in 2022. Allowing for better scrutiny, accuracy and transparency.

Recommendation 3

The Mayor should lobby Government to publish provisional settlements by 5 December each year as recommended by the Hudson Review.

TfL

Recommendation 4

TfL should publish its key performance metrics for 2022-23 in its final 2022-23 Budget in March 2022.

Recommendation 5

TfL to look at a range of options to increase income for the longer term and not just those required to achieve financial sustainability for 2023-24.

Recommendation 6

TfL should provide more detail on the specific road user charging proposals under consideration to bridge the £375 million budget gap. TfL should be transparent with its presentation of budget gaps. These should not be hidden within existing income streams.

Recommendation 7

TfL to review the options of raising external funding to complete the Elephant and Castle station fit out, in addition to exploring funding options with the Government.

MOPAC

Recommendation 8

The Committee encourages MOPAC to continue to lobby the Government for longer-term funding settlements for the Met and further funding for police officers in London. However, MOPAC should base its budget and plans for future years on expected funding.

Recommendation 9

MOPAC should balance its budget for 2022-23 by 31 March 2022.

Recommendation 10

MOPAC and the Mayor should continue to lobby for an increase in the National and International Capital City (NICC) funding of for the policing of the capital city.

Recommendation 11

MOPAC to detail the projected financial impact of its projected increased capital borrowing on its structural budget gap in its final 2022-23 Budget. In parallel, we recommend that MOPAC conducts a review of the funding and delivery of its capital programme during 2022-23.

London Fire Commissioner

Recommendation 12

The London Fire Commissioner should publish his Value for Money Efficiency Principles before the end of 2021-22, and include detailed progress on delivering against savings in his Quarterly Performance reports from the first quarter of 2022-23.

Recommendation 13

Given the previous difficulties in delivering efficiency savings, the Committee recommends that the LFC urgently identifies concrete savings proposals and shares these with the Committee, so that the London Assembly and Londoners can track progress from the beginning of the process.

Recommendation 14

The LFC should develop a plan to ensure it has the capacity and required skillset in its people services to deliver cultural change and the required savings from its new operating model. The plan should be shared with the Budget and Performance Committee and progress reported in its quarterly performance report.

Recommendation 15

The London Fire Commissioner should develop a plan to recruit and retain staff, where there are key shortages, such as fire safety officers and set out the budget implications by 31 March 2022.

Recommendation 16

The London Fire Brigade should limit its reliance on borrowing and make demonstrable progress on plans for the development of the Albert Embankment property during 2022-23.

GLA Core

Recommendation 17

The GLA should develop further effective performance metrics to demonstrate the progress in delivering the recovery missions by 31 March 2022.

Recommendation 18

The Committee supports the improved allocation of the AEB across the recovery mission, but this should be on a consistent basis going forward to prevent large variances in the allocation to recovery missions that do not reflect any underlying changes in delivery.

Recommendation 19

The GLA should set out a plan to maintain the improved working relationships that are evident from the London Recovery Board's work by the start of 2022-23.

Recommendation 20

The GLA should publish the Kerslake review once it has been finalised and to inform this Committee of the changes that will be made in response to the report's findings.

Recommendation 21

The GLA should agree a fair value for the savings from the relocation from City Hall that fully reflects the discounted rental offer from the landlord. This figure will need to be reported in the quarterly monitoring reports from the first quarter of 2022-23 to ensure that this level of savings is delivered.

Recommendation 22

The London Assembly should be appropriately funded to effectively discharge its scrutiny function. The reduction for 2022-23 should be fully justified in the Mayor's Final Draft Budget.

London Legacy Development Corporation

Recommendation 23

If the LLDC requires further funding from the GLA then this should be in the form of a loan that should increase up to the value that the LLDC can expect to be able to repay and not be arbitrarily capped. This will ensure that as much of the GLA's investment as possible is returned to the GLA.

Recommendation 24

The LLDC should look to improve the level of affordable housing to be delivered across the remaining developments on public owned land.

Recommendation 25

The LLDC must make demonstrable progress towards securing a naming rights deal for the London Stadium in 2022-23 and show that the deal reflects good market value. Progress should be reported to this Committee in its quarterly performance reports.

Old Oak and Park Royal Development Corporation

Recommendation 26

The OPDC should publish its strategic outline business case that it has submitted to Government which sets out the case for Government support.

Recommendation 27

The OPDC must work with Network Rail and the Department for Transport to prioritise the agreement for the transfer of public sector land holdings in 2022-23 and report progress to this Committee in its quarterly performance reports.

Chapter one – Introduction

Key findings:

- **The Mayor is responsible for a £19 billion budget for 2022-23.**
- **The timing of the statutory budget process is challenging from both a production perspective and a scrutiny perspective.**

The GLA Group

The Mayor of London has significant resources at his disposal. The Mayor has the power to make decisions that affect the everyday lives of Londoners – particularly through the annual budget, which is central to how the Mayor's authority is exercised. The Mayor's proposed budget for 2022-23 is £19 billion. This pays for the GLA, which consists of the Mayor's office and the London Assembly (which is tasked with scrutinising the Mayor's activities) and its five functional bodies (known as the GLA Group):

- Transport for London (TfL)
- the Mayor's Office for Policing and Crime (MOPAC) – responsible for oversight of the Metropolitan Police Service (the Met)
- the London Fire Commissioner (LFC) – responsible for decisions about London Fire Brigade (LFB)
- the London Legacy Development Corporation (LLDC)
- the Old Oak and Park Royal Development Corporation (OPDC).

The COVID-19 pandemic has had a substantial impact on the GLA Group's finances. Major sources of revenue such as Business Rates and Council Tax have fallen due to the wider adverse economic conditions caused by the pandemic. This will have an inevitable impact on the delivery of vital public services in London – MOPAC alone spends £3 in every £4 of the GLA's Council Tax income to police London. The reduction in passenger demand on London's transport network has also added considerable pressure to TfL's finances, which has required over £4 billion of Government support.

The timing of the GLA budget process poses challenges for both the production and scrutiny of the Mayor's budget, with key levels of income not confirmed until late in the process. The GLA has struggled to accurately access the level of income available to the GLA Group from Business Rates and Council Tax; this has led to a series of late adjustments to the Mayor's Final Draft Consolidated Budget, which he publishes in February each year. These adjustments include:

- 2021-22 Budget – additional **£183 million** of new expenditure funded from additional Business Rates 'safety net' income of £106 million; and £77 million in Council Tax and Council Tax Support Grants.[1]

[1] Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2021-22

- 2020-21 Budget – additional **£143 million** of new expenditure, primarily funded by a £129 million increase in Business Rates.[2]
- 2019-20 Budget – additional **£229 million** of new expenditure, primarily funded by a £227 million increase in Business Rates.[3]
- 2018-19 Budget – additional **£267 million** of new expenditure, primarily funded by a £211 million increase in Business Rates.[4]
- 2017-18 Budget – additional **£27 million** of new expenditure, primarily funded by a £16 million increase in Council Tax income.[5]

Over the previous five GLA Group budgets, there have been late amendments to the budget from increased income totalling £849 million, or an average of £170 million each year.

The then Secretary of State for Housing, Communities and Local Government, Sajid Javid, commissioned the Hudson Review in 2018. This should have led to the GLA having more certainty to plan its budgets as the review recommended that provisional settlements be on or around the 5 December and the final settlement no later than the 31 January.[6] The Government has not adopted this recommendation.

Recommendation 1: Given the scale of additional funding applied to the Mayor's budget every February in his Final Draft Budget, indicative allocations for any additional funding should be shared with this Committee along with budget proposals.

Recommendation 2: The Mayor should commission a review into the timing of the statutory budget process which should inform his budget guidance in 2022. Allowing for better scrutiny, accuracy and transparency.

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[2] Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2020-21
[3] Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2019-20
[4] Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2018-19
[5] Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2017-18

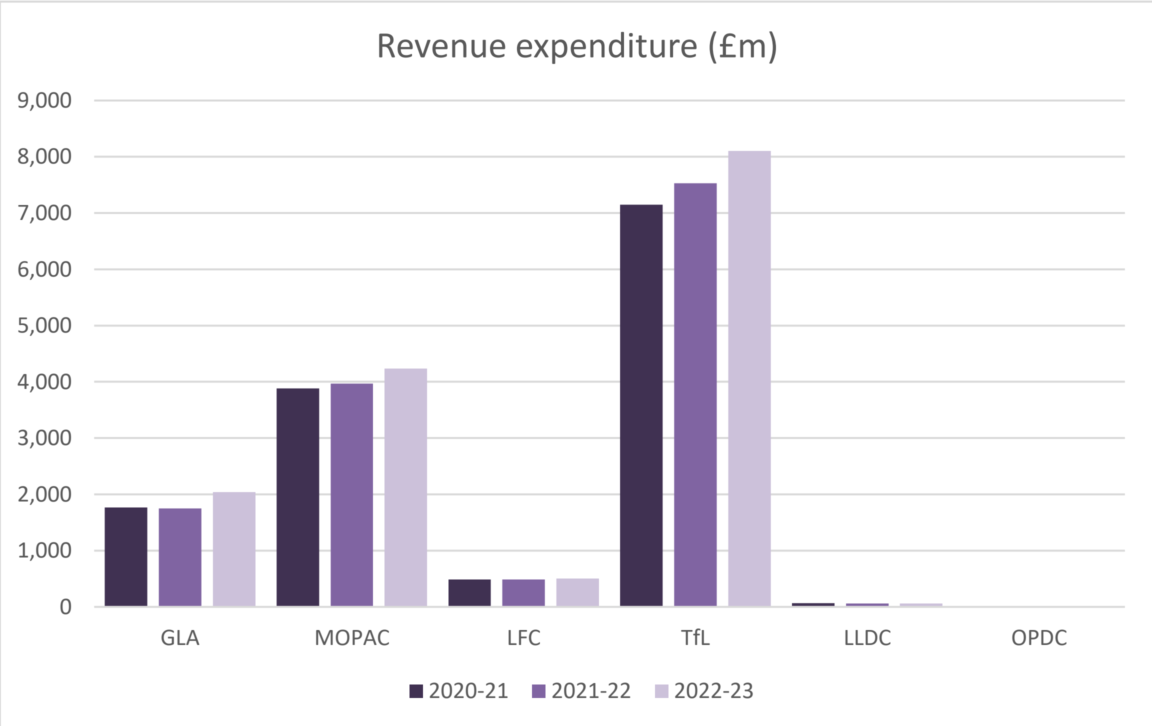
Recommendation 3: The Mayor should lobby Government to publish provisional settlements by 5 December each year as recommended by the Hudson Review.

The Mayor's 2022-23 Budget

The Mayor's Consultation Budget for 2022-23 was issued on 22 December 2021 with a closing date for consultation responses of 18 January 2022. The Mayor's Draft Budget and Final Budget will be presented to the Assembly in the weeks following that, so that the council tax precept can be agreed by the end of February 2022.

The Mayor's 2022-23 budget includes revenue expenditure totalling £14.96 billion. This has been allocated across the GLA Group as shown in **Figure 1**.[7]

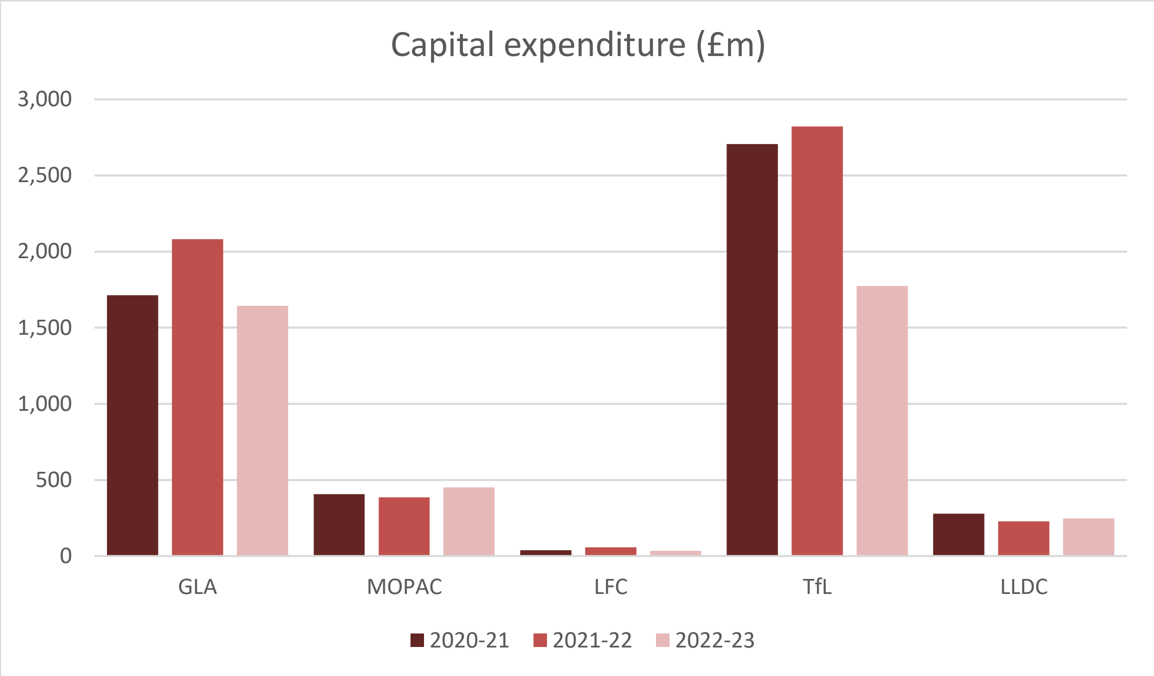
Figure 1: GLA Group budgeted revenue expenditure



The Mayor's 2022-23 budget includes capital expenditure totalling £4.15 billion. This has been allocated across the group as shown in **Figure 2**.[8] The reduction in TfL's capital expenditure in 2022-23 includes lower spend on the Crossrail project and streets enhancements. Lower Crossrail spend is also reflected in the reduction in the GLA capital expenditure for 2022-23.

[7] GLA Group Budget Proposals and Precepts 2022-23: Consultation Document, December 2021, p.9
[8] GLA Group Budget Proposals and Precepts 2022-23: Consultation Document, December 2021, p.9

Figure 2: GLA Group budgeted capital expenditure



Group funding

The Consultation Budget has been issued following the publication of the provisional local government and police funding settlements. It comes at a challenging time for GLA Group funding, with income from transport fares and Business Rates under particular threat as a result of COVID-19, and issues arising over Council Tax revenues for the same reason.

Definitive indications of income in 2022-23 from Business Rates and Council Tax will be available at the end of January 2022. Meeting the budget gap arising from reduced transport fares is the subject of ongoing negotiations with Government.

The provisional Local Government Finance Settlement 2022-23 consultation paper, which was published on 16 December 2021, included a £36.4 million general services grant. This grant is expected to be distributed by the Mayor prior to his final draft budget, but has been allocated to the Business Rates reserve temporarily.

Savings and efficiencies

The Budget and Performance Committee has been reviewing the GLA Group's finances over the past two months. Since November, the Committee has held five meetings with executive officers and leaders of the five functional bodies, including a meeting with the Mayor himself.

From the impact on TfL's finances as a result of the changing conditions following the pandemic to the OPDC's future viability, the Committee's scrutiny identified the financial challenges facing the GLA Group and how these challenges could be addressed to ensure that public money is being spent where it is most needed. The Committee also examined: what action the functional bodies are taking to plug the budget gap; whether this was sustainable in the long term; and whether it provided value for money for Londoners.

This report is a summary of the Committee's findings, and raises serious and urgent questions about the future of the GLA Group. We urge the Mayor to take forward the issues identified here, and to implement the necessary measures to ensure the financial sustainability of the GLA Group, so that Londoners can continue to receive vital public services during this difficult time.

Chapter two – TfL

Key findings:

- **The total income for 2022-23 reflects the full year impact of ULEZ, the Northern Line extension and the part year of Elizabeth Line operations. It also includes changes to the Congestion Charge.**
- **The current Government funding agreement which was scheduled to end on 11 December 2021 was initially extended to 17 December 2021 and then to 4 February 2022. TfL requires £245 million until the end of the financial year 2021-22.**
- **The funding requirement for 2022-23 is £1.1 billion, but this is yet to be agreed with Government.**
- **The draft TfL 2022-23 budget proposals state that TfL cannot balance its budget in 'any of the upcoming financial years to 2024-25 without extraordinary Government support'.**
- **The assumptions set out in the draft budget reflect a 'managed decline' scenario, which assumes no Government revenue funding after 2022-23 and capital funding maintained through devolved Business Rates.**
- **The impact of a 'managed decline' scenario could see an 18 per cent reduction in buses and a 9 per cent reduction in Tube and Rail by 2024-25. This could mean over 100 bus routes are withdrawn and 200 routes are reduced.**
- **The central section of the Elizabeth Line is set to open in the first half of 2022, with a prudent date of 26 June 2022 assumed for budget purposes.**

Background

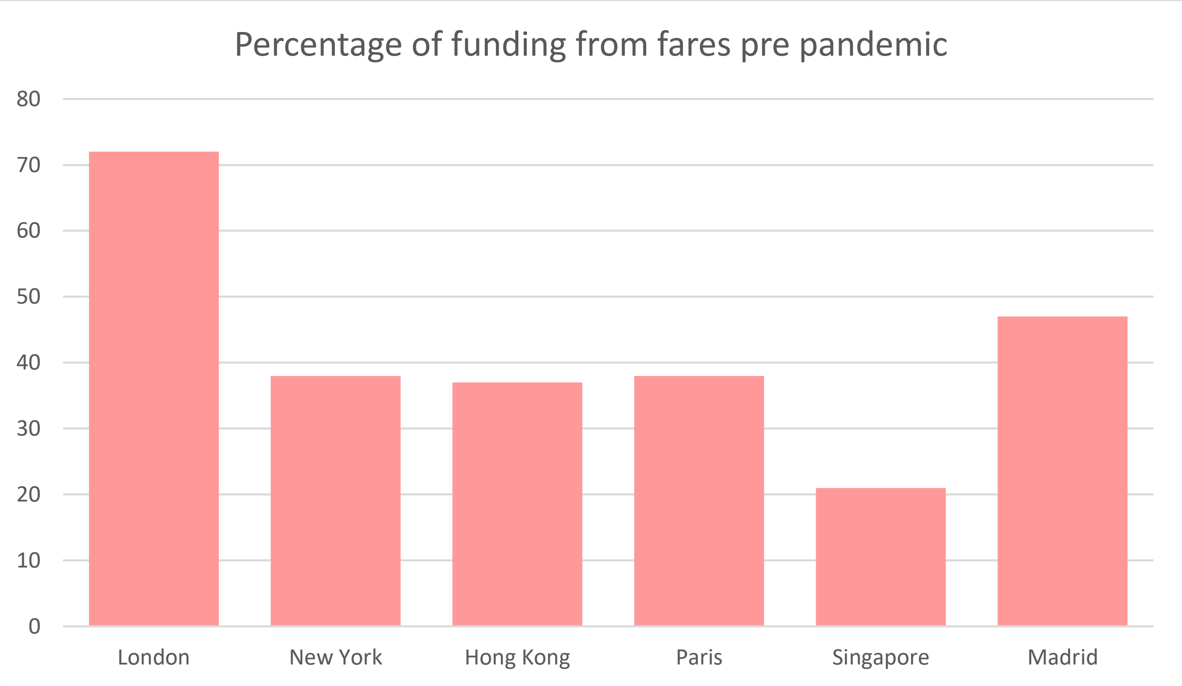
TfL sits at the heart of London's extensive transport network. TfL describes itself as a 'spatial and transport planner, policy maker, operator, maintainer, innovator, regulator, commissioner, curator, convenor and provides housing and delivery of a pipeline of capital projects'.[9]

TfL is by some distance the largest of the Mayor's functional bodies. In the Mayor's final budget for 2021-22, TfL's £7.5 billion of gross revenue expenditure accounted for 55 per cent of the GLA Group. Its capital expenditure at £2.8 billion was also over half of the GLA Group's total.

[9] TfL, Financial Sustainability Plan, January 2021, p.22

In 2019-20, TfL's direct operating costs were £5.8 billion and 72 per cent of TfL's operating income came from passenger revenue, with the remainder covered by businesses rates (14 per cent) and other operating income (14 per cent). TfL is highly reliant on fare income in comparison to other major global cities.

Figure 3 Comparison of TfL's reliance on fares for funding compared to other urban transport authorities



The COVID-19 pandemic has had a significant and sustained impact on TfL's ridership levels and finances during 2020 and 2021. At its peak, there was a short time where "TfL's passenger demand was reduced by more than 90 per cent".[10] TfL continued to run an almost full service, despite the reduction in passenger numbers. Fares income fell from £4.75 billion in 2019-20 to £1.6 billion in 2020-21.[11] Overall, total gross income fell from £5.76 billion in 2019-20 to £2.4 billion in 2020-21, representing a 58 per cent decrease.

Whilst passenger income in 2021-22 is almost double the previous year's figure, it is still 40 per cent lower than pre-pandemic levels, and this will continue to have an impact on TfL's financial position.[12]

Budget 2022-23

The 2022-23 draft budget submission shows a funding gap of £1.1 billion in 2022-23, before any extraordinary grant funding, and a further gap of £0.4 billion per annum on average

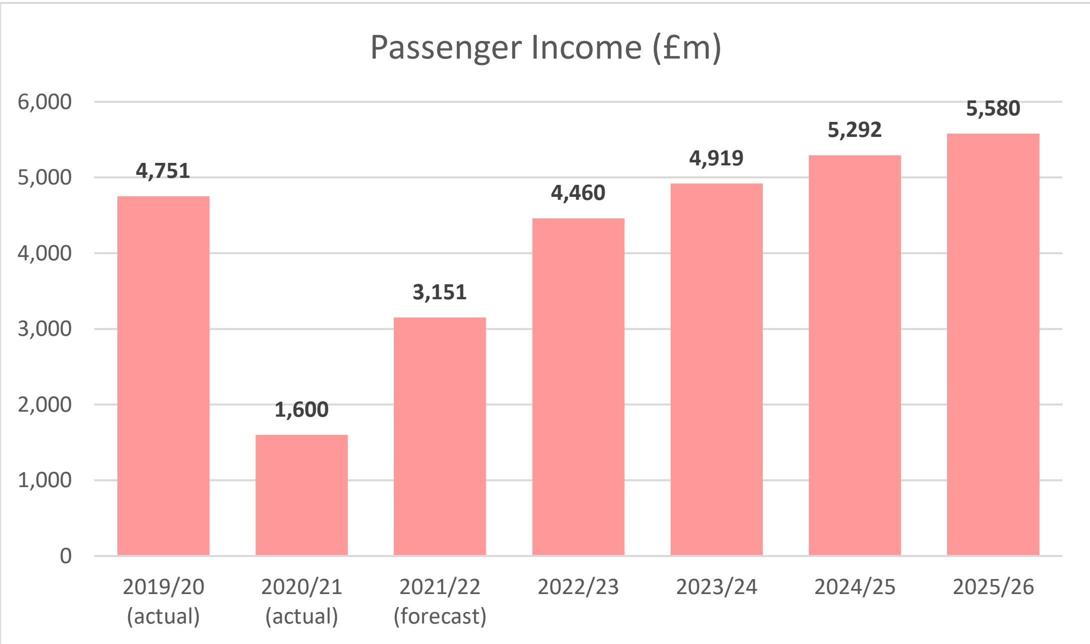
[10] TfL, Financial Sustainability Plan, January 2021, p.35
[11] TfL, Annual Report and Statement of Accounts 2020/21, 28 July 2021
[12] TfL Board Meeting, (Public Pack) Supplementary Agenda – Item 7 Agenda Supplement for Board, 8 December 2021, p.3.

between 2023-24 and 2024-25. The budget has assumed that TfL will receive extraordinary grant funding of £1.1 billion for the year 2022-23, resulting in a net surplus of £27 million.[13]

This budget reflects new services and charges brought in by TfL, including the ULEZ expansion, launched on 25 October 2021. Early indications show that the ULEZ expansion has been successful, with compliance for the scheme at 91 per cent.[14] Whilst the scheme has been successful in driving desired outcomes of improved air quality, this does mean that expected income is lower, as greater compliance equals reduced proceeds. TfL estimates that this is around £600 million less than expected over the three years up to 2024-25.[15]

The draft budget submission reflects a lower passenger income increase in 2021-22 and 2022-23, compared with that anticipated in the Revised Budget 2021-22. TfL has forecasted a more prudent increase in ridership levels, as shown in **Figure 3**. TfL expects average passenger demand to be 73 per cent of pre-COVID-19 levels by the end of 2021-22; and 82 per cent by the end of 2022-23.

Figure 3: Passenger income, TfL, Draft GLA Budget Submission 2022-23



This budget also reflects a 'managed decline' service level and capital investment scenario, in response to the Government confirming no further revenue support beyond March 2023.

A managed decline scenario was set out as one of four financial scenarios that TfL developed to assess financial sustainability. These scenarios are:

- decarbonise by 2030
- limited recovery

[13] TfL Board, TfL submission to the GLA Budget, 8 December 2021
[14] TfL Finance Committee, p.4: Implications of reduced funding for TfL, 24 November 2021
[15] TfL Finance Committee, p.4: Implications of reduced funding for TfL, 24 November 2021

- managed decline
- rapid decline.

The managed decline scenario assumes savings are focused on the capital, using the safety minimum scenario. This would require deferring critical investments as long as possible, while maintaining basic operability, resulting in higher maintenance costs (incorporated into the scenario), more service disruption and lack of support for UK supply chains. Most enhancement programmes would cease, meaning little or no progress in areas such as decarbonisation, accessibility, safety and stimulating development.

The impact of a managed decline scenario includes:

- bus network service reductions of 4 per cent (as set out in the Revised Budget 2021-22) increased to 18 per cent over the period 2024-25
- Tube and Rail service reductions of 9 per cent
- no new enhancement projects above those already committed, together with only essential renewal projects continuing.

The TfL Commissioner expanded on the 'managed decline' approach at the Budget and Performance Committee meeting on 14 January 2022. He said "This is a prioritisation methodology that was agreed with the DfT as part of what they were prepared to help fund through this period. Again, I am sure if we were to have any incremental money that meant we were able to avoid managed decline, we would all be wanting to look at doing things to improve Vision Zero and accessibility first, rather than in the past where TfL's focus has been about growing capacity as well as doing those things. Clearly, given our current demand projections, we would focus first on improvements to safety and accessibility were further funds to be forthcoming."

TfL states: 'Additional support for capital investment from Government, on top of new revenue from London sources, could create a surplus that would allow us to start to move back towards the "financially constrained" scenario and avoid the worst of the service reductions.'[16]

In the current situation TfL capital funding has been maintained through the retention of Business Rates and passenger income has been supported through the Extraordinary Grant mechanism. TfL argued at the Budget and Performance Committee meeting on 14 January 2022 that the adoption of 'managed decline' in these circumstances was justified as a result of the reduced capital expenditure in 2020-21 and 2021-22 resulting from the pandemic that has been deferred into future years. TfL confirmed that Business Rate funding had been maintained.

The 2019 Business Plan and previous plans have been supported by detailed information on outputs. This has traditionally included key safety measures; service kilometres operated by mode; reliability measures for the different modes; and state of good repair for roads. The

[16] TfL Board Meeting, (Public Pack) Supplementary Agenda – Item 7 Agenda Supplement for Board, 8 December 2021, p.30.

2022-23 budget submission did not include any outputs. These metrics are key to understanding what the budget delivers.

There are also broader targets that TfL aims for, such as Vision Zero and goals set out in the Transport Strategy. Though TfL has been clear on the reductions in budgets, it has not provided any commentary on the impact of changes to those budgets on meeting these targets. These metrics are key to the scrutiny of the budget by the Budget and Performance Committee and should be made available to support the proposed budget.

Recommendation 4: TfL should publish its key performance metrics for 2022-23 in its final 2022-23 Budget in March 2022.

Funding agreements and financial sustainability

Since the COVID-19 pandemic, TfL has negotiated three extraordinary funding packages with Government. So far in the financial year 2021-22, the Government has provided £1.5 billion, taking total Government COVID-19 support for TfL to more than £4 billion. The last funding agreement was due to expire on 11 December 2021 but was initially extended to 17 December 2021 and then to 4 February 2022. The funding arrangements from each settlement is as follows:

- 14 May 2020[17] – Extraordinary Support Grant of £1.095 billion and additional borrowing by TfL from the Public Works Loan Board of £505 million. These amounts are based on a forecast funding shortfall of £1.6 billion for the period to October 2020. To the extent that the actual funding shortfall is greater or lesser than £1.6 billion then the amount of Extraordinary Grant and TfL borrowing will increase pro rata, up to a maximum of £1.9 billion in aggregate or reduce pro rata accordingly.
- 31 October 2020[18] – Extraordinary Support Grant of £905 million with an additional top-up grant depending on the level of actual passenger income received by TfL and additional borrowing by TfL from the Public Works Loan Board of £95 million.
- 1 June 2021[19] – Extraordinary Support Grant of £1.08 billion with an additional top-up grant depending on the level of actual passenger income received by TfL.

In the draft budget 2022-23, TfL forecasts that it will require £245 million of funding to the end of the financial year 2021-22. This is £280 million less than expected in the Revised Budget 2021-22. TfL states that this is due to "tighter spend control, lower capital investment spend, and favourability in working capital movements". This figure is also "predicated on TfL managing to a £1.2 billion minimum cash balance".[20]

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[17] DfT, Transport for London: Extraordinary Funding and Financing Agreement letter, 14 May 2020
[18] DfT, Transport for London settlement letter, 31 October 2020
[19] DfT, Transport for London settlement letter, 1 June 2021
[20] TfL Board Meeting, (Public Pack) Supplementary Agenda – Item 7 Agenda Supplement for Board , p.12, 8 December 2021

As part of the Government's extraordinary funding agreement for TfL, the Government challenged TfL to become financially sustainable by 2023-24 and to set this out in a Financial Sustainability Plan, which was published in January 2021.[21] Under the June 2021 emergency settlement, TfL committed to looking into options to raise new income of £0.5 billion to £1 billion per year.

In August 2021, TfL submitted a shortlist of options to Government. TfL stated that the feedback received from Government in November was 'limited and partial'. Two of the options explored were for the devolvement of Vehicle Excise Duty and a Greater London Boundary charge. The Assembly has previously supported the calls for the devolution of funds raised through Vehicle Excise Duty agreement on the Assembly on a cross party basis.[22] The Government has made clear that its position was against both proposals.[23]

On 8 December 2021, the DfT received a letter from the Mayor that provided further information on how TfL and the Mayor will raise new income. The Government stated that this response was "already three weeks past" the original deadline of 12 November 2021 and that the interim extension of the funding agreement to 17 December was to receive further clarification on the proposals.[24]

On 16 December 2021 at Mayor's Question Time, the Mayor confirmed that no deal had yet been reached with Government. The Mayor has proposed a £20 Council Tax rise for each of the next three years, which would raise an estimated £172 million a year. The Mayor has also indicated that there will need to be modifications to ticketing and fares, which could include phasing out concession tickets for over-60s, as well as service reductions.[25]

The Mayor spoke at the Budget and Performance Committee meeting on 5 January 2022 on why he had raised Council Tax to address TfL financial issues, as this and retained Business Rates were the only two levers that he had.[26] This underplays the extent to which fares income forms the greatest single source of income for the Mayor's budget. In the Mayor's 2022-23 Consultation Budget, fares income accounts for £4.5 billion or 30 per cent of the funding for the Mayor's revenue expenditure plans. Retained Business Rates, at £2.1 billion, is less than half of this funding, and Council Tax is £1.2 billion.

During the COVID-19 pandemic, train-operating companies have received continuous financial settlements, totalling more than £10.4 billion up to 24 July 2021. The London Assembly passed a motion calling on Government to treat TfL in a similar manner in terms of the level and length of funding they have received since the start of the COVID-19 pandemic.[27]

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[21] TfL, Financial Sustainability Plan, January 2021
[22] OnLondon 10 February 2021 cross-party-call-on-grant-shapps-to-let-capital-keep-its-share-of-road-tax
[23] DfT, Letter from Secretary of State for Transport to Mayor of London, 1 June 2021
[24] DfT, Written statement to Parliament: Interim extension of current Transport for London funding settlement, 13 December 2021
[25] Transport for London: Mayor could raise council tax to cover funding, 15 December 2021
[26] City Hall, Budget and Performance Committee, 5 January 2022
[27] City Hall, Treat TfL the same as train companies, says Assembly, 2 December 2021

The Government has recognised the benefit of long-term funding arrangements for transport infrastructure. Both the National Railway Network and the Strategic Road Network are funded through multi-year funding plans for Highways England and Network Rail. TfL would also be helped by a longer-term capital investment settlement. It was encouraging to see the Spending Review had a three-year timescale, but disappointing that this has not translated into a longer-term settlement for TfL.

Much of the discussion with Government over TfL's future funding has been played out in public. The Mayor stated during Mayor's Question Time on 16 December 2021 that:

"The Government is still refusing to properly fund Transport for London which has been severely affected by COVID, yet again only providing a short-term funding deal that will only last a matter of weeks. This means that nothing has changed in terms of TfL having to plan on the basis of a managed decline of the capital's public transport network. As a condition of the emergency short-term funding TfL needs to avoid collapse, the Government is forcing us to raise additional revenue in London through measures, like Council Tax, that will unfairly punish Londoners for the way the pandemic has hit our transport network. Only a long-term funding deal with the Government, including additional capital funding, will be enough to avoid significant and damaging cuts to tube and bus services."

The Secretary of State for Transport has said:

"It is not entirely correct to say that all the problems are related to that [the pandemic]; the £13 billion of debt that it has is considerably higher than when the Mayor took over. Putting that aside, I am keen to continue to support TfL… There has been about £9.6 billion of waste in TfL finances since 2016. Crossrail is £5.2 billion over – it was on time and on budget when the Mayor took office; there is the pensions cost of £828 million; the failure to raise the fares while the rest of the network had to, which cost £640 million; and another £400 million of combined fare dodging."[28]

The evidence that this Committee has reviewed shows that to date the Government has supported TfL for its loss of fares income from the impact of the pandemic. This is not yet guaranteed to continue after 4 February 2022. While the Government has indicated that funding will continue for 2022-23 it is yet to commit to a long-term funding deal or indicated the terms which will be attached to any future funding. The Secretary of State for Transport stated in his letter to the Mayor on 1 June 2021 that "The Government will continue to consider requests for help with funding major capital programmes, because good transport infrastructure in London is in the interests of the whole country."[29]

TfL is not expecting ridership to recover to the pre pandemic levels but it will benefit from the introduction of new services, particularly the Elizabeth Line. Given TfL's dependence on fares

[28] Hansard/UK Parliament, Oral Answers to Questions – Volume 705: debated on Thursday 16 December 2021
[29] Letter from Secretary of State for Transport to Mayor of London - 1 June 2021 (publishing.service.gov.uk)

revenue for its funding the long-term funding gap will need to be addressed. The Government has asked TfL for revenue raising option to reduce the gap and these were submitted to Government on 8 December.

In the Mayor's Question Time on 16 December 2021 the Mayor listed some of the options that were being considered. He said:

"Subject to impact assessment and consultation, these changes are likely to include applying an all-day peak fare for Tube journeys to Heathrow on the Piccadilly line; increasing the Oyster card deposit from £5 to £7; withdrawing from the Travelcard agreement; making permanent a 9am start for the 60-plus photocard and the older person's Freedom Pass; and slowly increasing the age of eligibility for free travel using the 60-plus pass. Everyone who has this card currently would keep it and everyone who is due to get it in the next few years will still get one, but just a bit later than they had perhaps expected. I am also asking TfL to look into whether we could retain the eligibility age of 60 for the poorest Londoners. Even with the additional revenue we are being forced to raise, TfL will still have to make significant cuts to bus and Tube services, planning on the basis of managed decline."[30]

Healthy Streets investment in walking and cycling has been cut due TfL's current funding position as part of the move to a 'managed decline' scenario. The draft GLA budget reduced Healthy Streets funding to just £39 million. This represents a significant reduction from of £414 million in TfL's 2019 Business Plan.[31]

TfL terms Healthy Streets investments as 'enhancements' because they are improvements to existing infrastructure. This means that investing in Healthy Streets is not safeguarded in a similar manner to safety investment on railways. This difference was raised with the Mayor who noted there was a concern, but he also stated: "under a managed decline scenario TfL's ability to progress the work needed to reach our [Vision Zero] target is severely restricted"[32]

When asked if there is now the opportunity to consider the benefits of introducing a smart road pricing system in London, the Mayor responded:
"The soonest we could bring in revenues, assuming all the other hurdles were overcome in relation to the technology, the scale, the cost and so forth, would be around 2025-26. The Government is requiring us to bring in £500 million from 2023… I am afraid the Government's demands are for now rather than some time down the road."[33]

The Mayor confirmed at the Budget and Performance Committee meeting on 5 January 2022 that fares increases set out on 16 December 2021 and the increase in Council Tax were not sufficient to raise the required £500 million.[34]

[30] City Hall, Agenda for London Assembly (Mayor's Question Time), 16 December 2021
[31] City Hall, Assembly Member Question, 24 February 2020
[32] City Hall, Budget and Performance Committee, 5 January 2022
[33] City Hall, Agenda for London Assembly (Mayor's Question Time), 16 December 2021
[34] City Hall, Budget and Performance Committee, 5 January 2022

The pandemic has left TfL with a long-term financial sustainability issue and the funding gap will need to be addressed. It is unlikely that there will be a single solution to solve the funding problem and that a range of options will need to be considered along with the benefits and disadvantages of each.

TfL has long-term financial problems and the Government's current funding timelines should not prevent TfL from looking into the feasibility of longer-term income-raising options. In addition to revenue raising, this also has the potential to: deliver the scale of modal shift set out in the Mayor's Transport Strategy; and be used to reduce carbon emissions and further improve air quality.

We heard at the Budget and Performance Committee on 14 January 2022 that compliance rates on the expanded ULEZ at 92 per cent were higher than the 87 per cent assumed in the budget and that this will result in a budget pressure of £200 million to £300 million in 2022-23 and around £600 million for the years to 2024-25.[35]

TfL has assumed a fares increase of RPI +1 per cent for its 2022-23 budget. This will be made more challenging given that National Rail fares have been confirmed as increasing by RPI. Around 30 per cent of TfL fares are directly linked to the National Rail fare level.

Recommendation 5: TfL to look at a range of options to increase income for the longer term and not just those required to achieve financial sustainability for 2023-24.

The Mayor's Consultation Budget

The Mayor's Consultation Budget for 2022-23 was issued on 22 December 2021. There are a number of key changes reflected in the Mayor's Consultation Budget that did not appear in budget proposals of the functional bodies. The changes are primarily the impact of the provisional Local Government Finance Settlement 2022-23 Consultation paper, and the Provisional Police Funding Settlement 2022-23, which were published on 16 December 2021.[36,37] Also included in the Mayor's Consultation Budget is a proposal to increase Band D Council Tax by £20 in each of the next three years to fund TfL.

It is proposed in the Mayor's Consultation Budget that the additional £20 Band D Council Tax charge to fund transport services in 2022-23 will be held centrally by the Mayor in reserves and distributed to TfL in cash terms later. The Mayor explained on 5 January 2022 at the Budget

35 Budget and Performance Committee | London City Hall
36 Department for Levelling Up, Housing and Communities, Provisional local government finance settlement: England, 2022 to 2023, 16 December 2021
37 Home Office in the media, Factsheet: Provisional Police Funding Settlement 2022/23, 16 December 2021

and Performance meeting that given that TfL was expecting Government support in 2022-23 the income would not be required by TfL until 2023-24. The proceeds from further indicative rises in Band D Council Tax of £20 in 2023-24 and 2024-25 have been allocated directly to TfL.[38]

Further changes included in the Mayor's Consultation Budget compared with TfL's proposed 2022-23 Budget are:

- TfL fares income increased by £177 million for the period 2022-23 to 2024-25
- TfL Road User Charging increased by £375 million for the period 2023-24 to 2024-25
- TfL's planned reserves movements over 2022-23 to 2024-25 have changed from a £655 million use of reserves to a £254 million increase in reserves – a total change of £909 million
- Council Tax requirement has increased by £310 million for the period 2023-24 to 2024-25
- specific grants received in 2023-24 have increased by £61 million.

TfL was questioned about the £375 million increase in Road User Charging for 2023-24 and 2024-25 at the Budget and Performance Committee meeting on 14 January 2022 when it was admitted that this figure was a balancing item to eliminate the budget gap.

Recommendation 6: TfL should provide more detail on the specific road user charging proposals under consideration to bridge the £375 million budget gap. TfL should be transparent with its presentation of budget gaps. These should not be hidden within existing income streams.

Crossrail

There have been significant delays to the delivery of Crossrail over the last few years, with the opening of the central section of Crossrail initially scheduled for December 2018. TfL expects to open this section of the Elizabeth Line in the first half of 2022.[39]

In an update at the TfL Board Meeting on 8 December 2021, it was stated that the key milestone of the start of Trial Operations was achieved on 20 November 2021. TfL stated it will take "several months" to complete the final stage of testing and the opening date of the central section remained unchanged as the "the first half of 2022".[40]

The draft budget for 2022-23 confirms this position and does not provide a specific date. The draft budget expects regulatory income from the Elizabeth Line operator to be £269 million in 2022-23; £404.3 million in 2023-24; and £416.5 million in 2024-25. These figures suggest that

[38] GLA Group Budget Proposals and Precepts 2022-23: Consultation Document, December 2021, p.10
[39] Crossrail, Our plan to complete the Elizabeth Line
[40] TfL Board Meeting, Agenda, 8 December 2021

the central section of the Elizabeth Line would open towards the end of the first half of 2022, and this was confirmed during the Budget and Performance Committee meeting on 14 January 2022 when TfL stated that the budget assumption for the opening would be 26 June 2022. It was highlighted by the TfL Commissioner that this is a prudent assumption for budget purposes.[41]

Passenger Income from the Elizabeth Line is anticipated to be £262 million in 2022-23, £516 million in 2023-24 and £610 million in 2024-25. The impact of the pandemic has reduced the assumed income from that included in TfL's 2019 Business Plan which was £489 million for 2022-23, £884 million in 2023-24 and £1,037 million in 2024-25.[42]

The main financial benefit to TfL from Elizabeth Line services will be when direct services can be run from the East and West of the network through the central section without stopping. TfL currently anticipates that services from Shenfield through the central section to Paddington will start in December 2022 and services from Reading to Shenfield and Abbey Wood will start in May 2023. The TfL Commissioner said in the Budget and Performance Committee meeting on 14 January 2022 that Elizabeth Line services from Shenfield to Paddington could start as early as September 2022. This would improve the fares revenue in its 2022-23 budget.

Capital expenditure for Crossrail in the year to date 2021-22 was £392 million, 13 per cent lower than the Revised Budget 2021-22 figure of £451 million. Crossrail capital expenditure in 2022-23 is projected at £254 million, with an additional £8 million expected in 2023-24.

On 21 August 2020, Crossrail Limited announced that its latest cost forecasts indicated a further £1.1 billion is required to complete the project. This replaced the £400 million-£650 million announced back in November 2019 and is in addition to the £2.15 billion original funding top-up agreed. On 30 November 2020 a funding deal for £825 million of the £1.1 billion was reached. The GLA will borrow the additional £825 million which will be repaid using the Mayoral Community Infrastructure Levy and Business Rate Supplement. GLA officials stated this is the maximum that could be allowed from the future receipts from the Business Rate Supplement and the Mayoral Community Infrastructure Levy, which are scheduled to last until 2041 and 2043 respectively.

At the 5 January 2022 Budget and Committee meeting, the Mayor's Chief of Staff explained that the current completion forecast cost demonstrated a 50 per cent chance that Crossrail would need a further £150 million; and an 80 per cent chance that the additional cost would be within £195 million of current funding. The TfL Commissioner confirmed on 14 January 2022 that there was a £150 million cost pressure but that actions were being taken to reduce this figure and that there was an element of risk included in this pressure that would be released over time as the project nears completion.[43]

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[41] Budget and Performance Committee | London City Hall
[42] Budget and Performance Committee | London City Hall
[43] Budget and Performance Committee | London City Hall

Operating costs

The draft budget shows that operating costs for the year to date 2021-22 are £4.11 billion, which is £135 million below the Revised Budget 2021-22. TfL states that lower passenger income was offset by an increase in the extraordinary grant. Other operating income was higher, driven by higher Road User Charging income and small increases in advertising and property income. Operating costs are lower, which TfL states is because of efficiencies, lower bus performance payments, lower Tube traction costs and unused central contingency.[44]

Figure 4 shows TfL's operating costs as set out in the budget submission. It shows that operating costs are set to rise from £6.82 billion in 2021-22 to £7.5 billion in 2022-23. This is an increase of almost 10 per cent, reflecting new TfL services.

Figure 4: Operating costs, TfL Draft GLA Budget Submission 2022-23

TfL's draft budget sets out the operating cost pressures for TfL. These include new services, such as the Elizabeth Line and ULEZ expansion, increases in inflation and National Insurance. The budget also highlights a £62 million saving from service reductions for 2022-23 but it is not clear what level of service reduction is required to make this saving. This saving represents around 0.8 per cent of total operating costs. The TfL Group Finance Director stated at the Budget and Performance Committee on 14 January 2022 that "We [TfL] have been planning and working on the delivery of the 4 per cent reduction in bus kilometres by 2023-24 [that] we had announced in our Financial Sustainability Plan. If we are going down the managed decline scenarios we have discussed it would require a much greater reduction in bus kilometres, of 18 per cent, over that time period."

[44] TfL, Quarterly Performance Report Q2 2021/22, November 2021

TfL built up its cash reserves by 31 per cent between May 2016 and March 2020. Going into the pandemic, TfL's cash reserves were £2.2 billion. With the steep decline in passenger income during the COVID-19 pandemic, TfL identified a funding gap of £1.9 billion in the first half of 2020-21. Of this, £1.1 billion was covered through the first extraordinary funding and financing package from Government for the period from April to October 2020; and the remainder resulted in a reduction in TfL's cash balance.[45] TfL's cash position has stabilised following funding agreements with Government.

Capital Programme

The total capital expenditure for 2022-23 is expected to be £1.77 billion, including the Crossrail construction programme. This is £560 million more than planned in the 2019 Business Plan (£1.21 billion) and £180 million more than anticipated in the Revised Budget 2021-22 (£1.59 billion).

Key areas of investment include:

- Crossrail construction programme – £253.5 million
- modernisation of Circle, District, Hammersmith and City and Metropolitan lines – £120.5 million
- Piccadilly line rolling stock – £212.3 million
- DLR fleet replacement – £69.6 million
- major station upgrades including Bank – £76.7 million
- Healthy Streets – £39.1 million
- Barking Riverside extension – £2.3 million.

The budget also lists a number of projects that are 'removed, reduced or deferred' from the Revised Budget 2021-22, to reflect the 'managed decline' position. Included in this list is the fit-out of the new station ticket hall at Elephant and Castle. The new station ticket hall is being delivered externally by the developer of the new shopping centre, and TfL is responsible for the fit-out of the ticket hall before the station will be operational. The fit-out has been removed from the capital plan, resulting in the new ticket hall remaining unusable.

The Mayor's submission to the Government's Comprehensive Spending Review stated that TfL required £3 billion per annum of capital investment. The Government confirmed that for the period 2022-23 to 2024-25, TfL will not receive additional capital funding beyond the £1 billion devolved Business Rates.

Figure 5 shows how capital expenditure from 2021-22 to 2024-25 varies between the 2019 Business Plan and the Draft GLA Budget Submission 2022-23.

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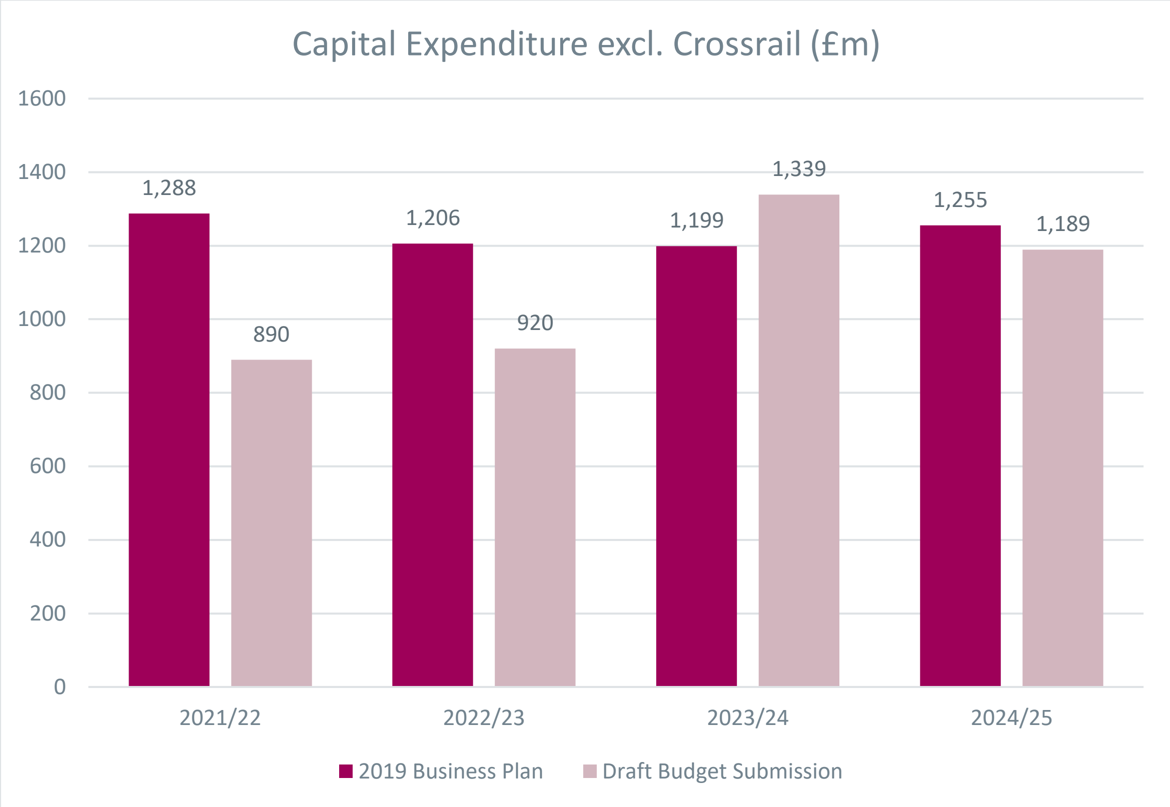
[45] London Assembly, Transport Committee, 30 June 2021

Figure 5: TfL's capital expenditure is set to fall by 12 per cent compared to the levels set out in the 2019 December Business Plan[46,47]

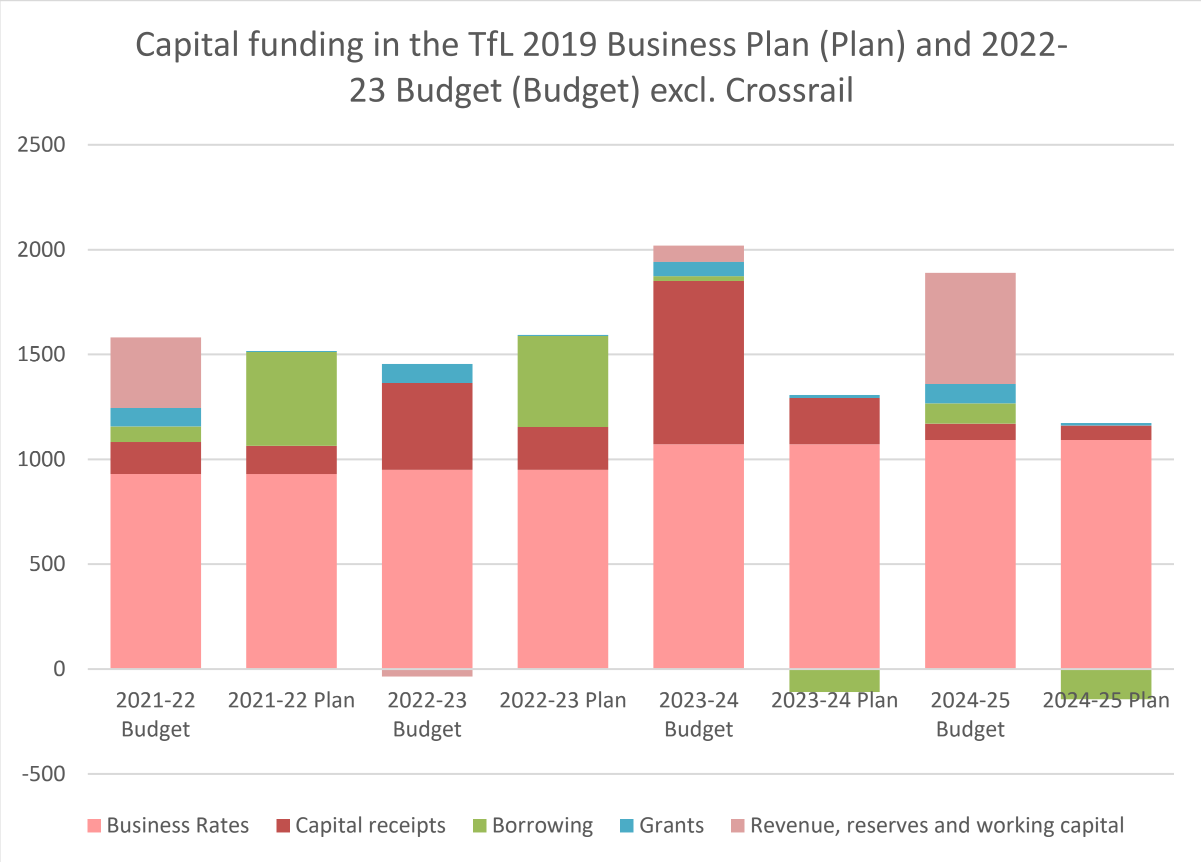


Recommendation 7: TfL to review the options of raising external funding to complete the Elephant and Castle station fit out, in addition to exploring funding options with the Government.

As **Figure 6** shows, capital funding for TfL from 2021-22 to 2024-25 varies between the 2019 Business Plan and the Draft GLA Budget Submission 2022-23. This highlights the reduced level of borrowing in the budget proposals compared with the 2019 Business Plan; and shows that total funding levels are higher in the budget proposals. This was explained by TfL at the Budget and Performance Committee meeting on 14 January 2022 as resulting from the reduced capital expenditure in 2020-21 and 2021-22 resulting from the pandemic that has been deferred into future years.

[46] TfL, Transport for London Business Plan: 2020/21 to 2024/25, p.40
[47] TfL, TfL Mayor's Budget 2022/23: GLA Consultation Extracts, November 2021, p.38

***Figure 6: TfL's capital funding is set to increase in 2023-24 and 2024-25 compared to the levels set out in the 2019 December Business Plan*[48,49]**



[48] TfL, Transport for London Business Plan: 2020/21 to 2024/25, p.40
[49] TfL, TfL Mayor's Budget 2022/23: GLA Consultation Extracts, November 2021, p.38

Chapter three – MOPAC

Key findings:

- **MOPAC's budget submission includes an optimistic expectation of additional Government funding for 3,287 additional police officers in 2023-24 and 2024-25.**
- **MOPAC is budgeting for an additional revenue expenditure over the next three years, despite projecting significant structural budget gaps over the same period, surpassing £37 million in 2024-25.**
- **There is little detail in MOPAC's budget submission to show where and how it will balance its budget, including through new priority-based budgeting exercises.**
- **Uncertainty over future police officer pay awards, which could have significant financial impacts, exacerbates the Met's challenges in delivering an accurate budget submission.**
- **The future of the Met's Capital Programme is not financially sustainable, with a growing reliance on borrowing for capital expenditure.**

Introduction

The Mayor's Office for Policing and Crime (MOPAC) has a net revenue budget of just over £3.96 billion for 2021-22.[50] For 2022-23, MOPAC has proposed a net revenue budget of £4.04 billion with an initial funding gap of £249 million.[51] The budget primarily covers the operating costs of the Metropolitan Police Service (Met), the policing service for London, but also includes provision for MOPAC's own commissioning and running costs. MOPAC, a Functional Body of the GLA, sets the direction and budget for the Met. Alongside its community safety role, the Met is focused, it says, on delivering an ambitious organisational transformation programme based around greater efficiency and modernisation of working practices.

Police Officer numbers

In 2019, the Government announced a commitment to fund an additional 20,000 police officers. In February 2020, the Assembly called for 5,000 of the officers to be allocated to London.[52] Subsequently, the Mayor, the London Assembly[53] and the Met called for 6,000 officers. By 2021-22, the Met has only received funding for 2,713 police officers of the 12,000

[50] The Greater London Authority Consolidated Budget and Component Budgets for 2021-22, March 2021, p6
[51] MOPAC 2022-23 budget submission
[52] Assembly Motion, Police forces need assurance on officer numbers, says Assembly, 6 February 2020
[53] https://www.london.gov.uk/motions/police-funding-0

officers allocated to police forces in England and Wales.[54,55]

Whilst MOPAC has remained fixed to its target of 6,000 additional Met Police officers, it has since conceded in its 2022-23 budget submission that "the Spending Review does not confirm whether this ask [of 6,000 additional officers by 2022-23] will be met and analysis of the headline figures suggests that it will not".[56]

At the London Assembly's 2 December 2021 Plenary meeting, the Mayor confirmed MOPAC's intentions to base its budget submission on a 6,000 additional officer recruitment target:

> *"We [MOPAC] want 6,000 of those officers. So far, we've received 2,700, so, the final year – the third year – we're expecting 3,300."*[57]
>
> **Sadiq Khan, Mayor of London**

At the Committee's 9 December 2021 meeting, Sophie Linden, Deputy Mayor for Policing and Crime, defended the position in the budget submission, stating that it remained an "aspiration" based on the "professional judgement of the [Met] Commissioner".[58]

At the same meeting, the Deputy Mayor conceded that, on a practical level, it would be "challenging" to recruit the 3,287 additional officers in 2022-23.[59] Robin Wilkinson, the Met's Chief of Corporate Services, indicated that the Met had previously recruited "over 4,000" additional officers in "a previous year", though a precise year was not provided to the Committee. To achieve an additional 3,287 additional officers the Met would need to recruit around 1,000 in excess of this figure, as it loses this amount each year.

As a result of its police officer recruitment assumptions, MOPAC initially forecast a £249.2 million funding gap in its budget proposals for 2022-23, of which £187 million was the funding required for the recruitment target, leaving £62.2 million as the structural budget gap.

The provisional police funding package for 2021-22 was published on 16 December 2021. This included funding for 1,363 additional officers, bringing London's total from the 20,000 officer growth programme to 4,557. This is 1,443 officers fewer than the Mayor's target of 6,000 officers.

The non-structural gap was eliminated in 2022-23 in the Mayor's Consultation Budget following publication of the Provisional Police Funding Settlement 2022-23 on 16 December 2021. However, MOPAC is still assuming the additional 1,443 officers will be recruited in 2023-

[54] MOPAC/MPS budget submission 2022/23 to 2024/25, p.1
[55] MOPAC/MPS budget submission 2022/23 to 2024/25, p.1
[56] MOPAC/MPS budget submission 2022/23 to 2024/25, p.5
[57] London Assembly, Police and Crime Committee meeting: Transcript of Agenda Item 5 – Violence Reduction Unit, 7 October 2021
[58] London Assembly, 9 December 2021 Budget and Performance Committee
[59] London Assembly, 9 December 2021 Budget and Performance Committee

24 and 2024-25, subject to funding being forthcoming from Government. This means a funding gap from the officer growth programme of £118 million remains in MOPAC's plans for 2023-24 and 2024-25.

Recommendation 8: The Committee encourages MOPAC to continue to lobby the Government for longer-term funding settlements for the Met and further funding for police officers in London. However, MOPAC should base its budget and plans for future years on expected funding.

Budget gap

MOPAC's 2022-23 budget submission shows a £62.2 million structural budget gap and a £187 million non-structural budget gap in 2022-23, rising to £132.6 million (structural gap) and £218.7 million (non-structural gap) in 2024-25.[60]

The draft budget submission conceded that it would be "extremely challenging to close this budget gap by delivering yet more savings and efficiencies without reducing officer and staffing numbers". However, the submission is based on a significant uplift in police officer numbers and, despite large uplifts over the previous two years, the available evidence would suggest that MOPAC will not receive Government funding to the level that the Commissioner, Mayor and London Assembly have called for. The budget proposals also assume a lower level of Council Tax than that available, as the Government's spending review allows an addition Council Tax Police Precept of £10 per year for the average Band D Council Taxpayer, in each year from 2022-23 to 2024-25. The £10 addition was included in the Mayor's Consultation Budget published on 22 December 2021.

As its budget submission stands, MOPAC will be required to deliver significant savings in order to balance the budget. This was also an issue raised in the Budget and Performance Committee meeting in December 2020 and is an area that has shown limited progress over the last 12 months. In response to questions on this issue at the Committee's 9 December 2021 meeting, Robin Wilkinson stated that the Met would "look at doing priority-based budgeting again" to explore whether "we [the Met] can either reduce or reallocate funding across services".

However, the Committee remains concerned about a lack of evidence to show MOPAC's efforts to develop robust new savings proposals. In addition to existing planned savings, to date, MOPAC has only identified two new areas of proposed savings from 2022-23: Property Service Directorate savings and ICT savings. These total £38.5 million in savings in 2022-23, and £109.8 million in savings over the next three years.[61]

[60] MOPAC/MPS budget submission 2022/23 to 2024/25
[61] MOPAC/MPS budget submission 2022/23 to 2024/25, p.29

Recommendation 9: MOPAC should balance its budget for 2022-23 by 31 March 2022.

The Met expects to continue to benefit from Government grants, in particular the National and International Capital City (NICC) grant, which goes some way to address the specific needs of policing in London. However, uncertainty remains about the level and extent of support in subsequent years. The Met and the Home Office agree that the Government has underfunded this grant for some time, to the tune of at least £112 million a year (the Met maintains that the underfunding is about £160 million a year).[62,63] While this underfunding persists, the Met effectively subsidises counter-terrorism, policing of demonstrations and other responsibilities that come with policing a major city; this impacts all other areas of policing.

Recommendation 10: MOPAC and the Mayor should continue to lobby for an increase in the National and International Capital City (NICC) grant for the policing of the capital city.

The issue is exacerbated by an impending review of the Government's police funding formula. Although the Committee welcomes the Met's representation in the review's working group, Members remain concerned that the uncertainty from the review poses additional financial risks for the Met that need to be factored into MOPAC's overall budget scenario-planning activity.

Mayor's Consultation Budget

The Mayor's Consultation Budget was published on 22 December 2021. This reflected the Provisional Police Funding Settlement 2022-23, which was published on 16 December 2021. The MOPAC budget in the Mayor's Consultation Budget included the following changes from MOPAC's 2022-23 Budget proposals:

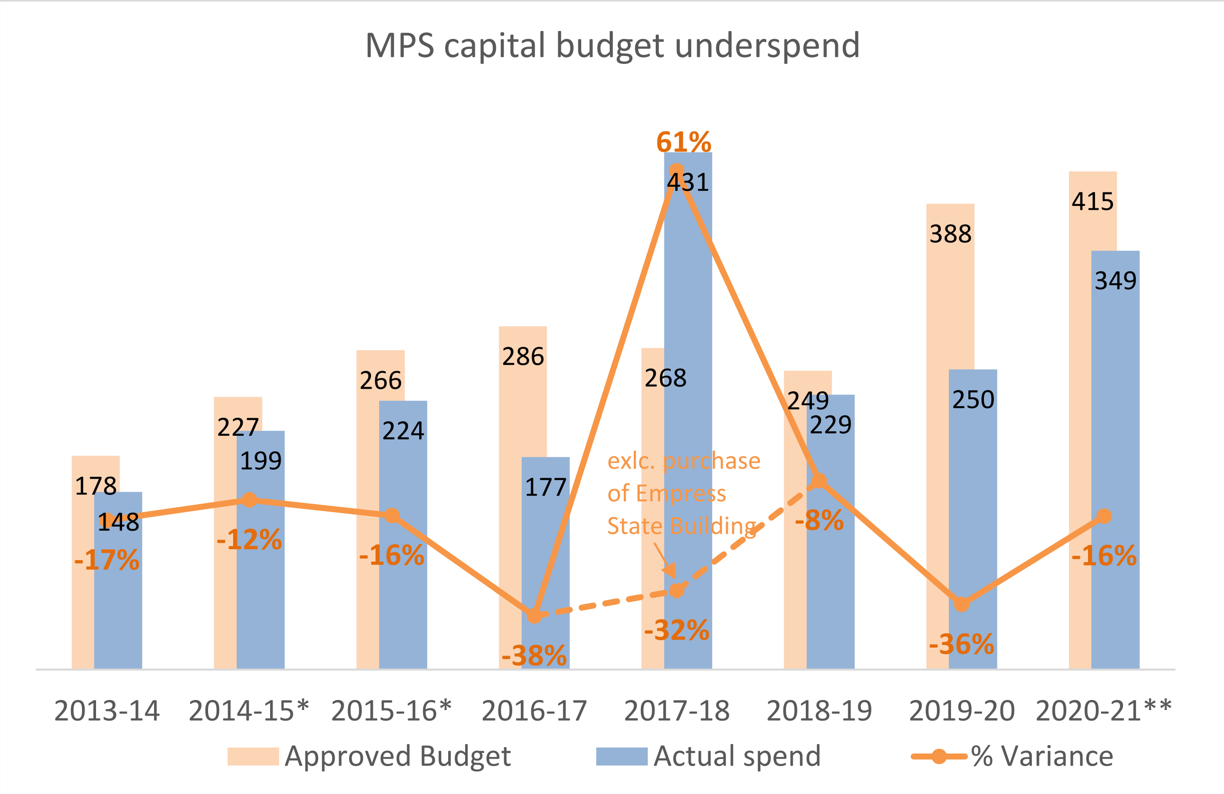
- reduction in frontline policing costs of £52.4 million in 2022-23
- reduction in Corporate Budgets of £40 million in 2022-23
- additional funding required/budget gap reduced by £540 million for the period 2022-23 to 2024-25
- specific grants increased by £31 million in 2022-23
- Home Office Grant increase by £433 million for the period 2022-23 to 2024-25
- Council Tax requirement increase by £44 million for the period 2022-23 to 2024-25.

[62] Questions to the Mayor, Government's continued underfunding of the NICC grant, 28 December 2017
[63] Lynda McMullan, Director of Commercial Finance, MPS, speaking at the Committee on 11 December 2018

Capital programme

MOPAC's capital programme amounts to £1.34 billion between 2022-23 and 2025-26.[64] The capital programme ensures that the Met can invest in state-of-the-art facilities and technology, and facilitates the large-scale transformation required to ensure that the Met remains a modern, agile and responsive public service. This transformation is also intended to support the delivery of the substantial revenue savings required over the medium term.

Figure 7: The Met has consistently underspent against its capital budget



Source: MOPAC Q4 Reports 2013-14 to 2019-20; MOPAC Q1 Report 2020-21

MOPAC's capital programme for 2022-23 to 2025-26 is largely funded through capital receipts and additional borrowing. These funding sources are key – and will continue to grow in importance – as only a capital grant of around £3 million is received from Government annually.[65] At its 9 December 2021 meeting, the Committee raised concerns about the impact of reduced Government funding on the future delivery of MOPAC's capital programme.

A planned shrinking of the Met's estate portfolio (and an increase in police officer numbers) will impact MOPAC's ability to generate capital receipts. This in turn will increase dependence on external borrowing – leading to an increase in the cost of capital financing. The 2022-23

[64] MOPAC 2022-23 budget submission
[65] London Assembly, Budget and Performance Committee: Transcript of Item 4 – The 2021-22 GLA Group Budget – Police, 10 December 2020, p.12

budget submission shows capital financing costs increasing from £108 million in 2021-22 to £148 million in 2022-23.[66] The Committee has already expressed concerns about the risk of a growing reliance on capital borrowing, with capital borrowing projected to account for 80 per cent of MOPAC's funding for capital expenditure by 2025-26.[67] The increased capital borrowing will, to some extent, exacerbate MOPAC's substantial structural budget gap of £62 million in 2022-23.

The Committee is deeply concerned about the impact of increased capital borrowing and, more widely, the strategic direction of MOPAC's capital programme.

Recommendation 11: MOPAC to detail the projected financial impact of its projected increased capital borrowing on its structural budget gap in its final 2022-23 Budget. In parallel, we recommend that MOPAC conducts a review of the funding and delivery of its capital programme during 2022-23.

[66] MOPAC/MPS budget submission 2022/23 to 2024/25, p.25
[67] MOPAC/MPS budget submission 2022/23 to 2024/25

Chapter four – London Fire Commissioner

Key findings:

- **The London Fire Commissioner (LFC) forecasted an £8.8 million budget deficit in 2023-24, which was intended to be funded by a drawdown on its Budget Flexibility Reserve (BFR).**
- **The LFC needs to make further savings in future years – but to date, no clear, concrete savings proposals have been developed, creating the risk of these savings being undelivered unless managed properly at an early stage.**

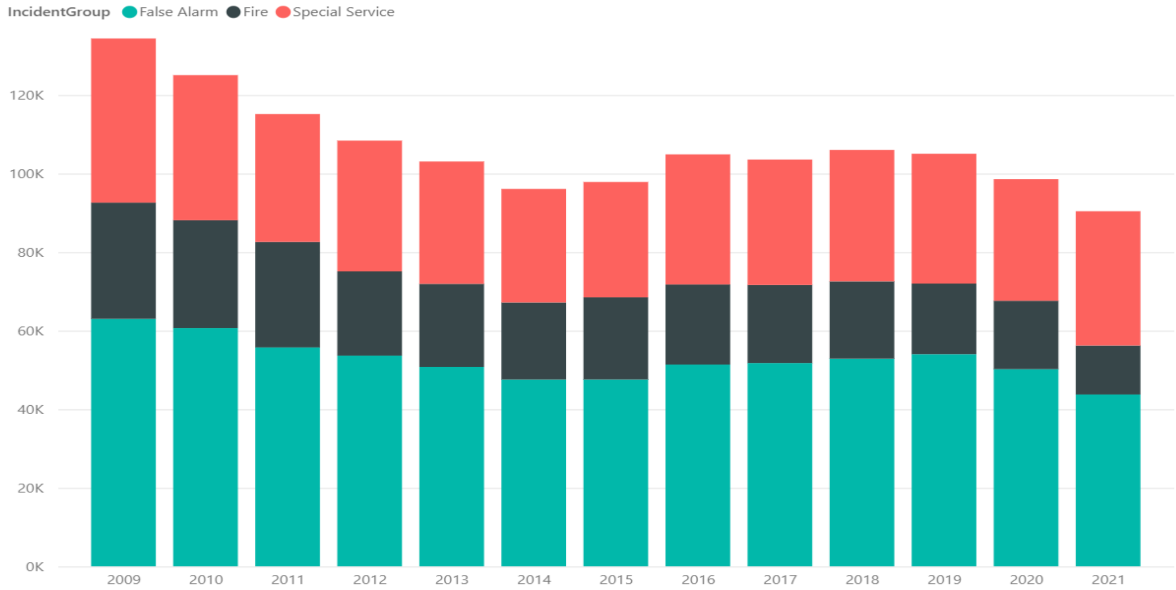
Background

The LFB, the operational arm of the LFC, provides vital frontline services to protect the capital's residents. HMICFRS states that the LFB is the "busiest fire and rescue service in the country, and one of the largest in the world."[68]

Over the last decade, the number of fire and non-fire incidents that the LFB has responded to has fallen (see **Figure 8**). In 2009, the fire service responded to 134,379 incidents, of which 29,591 were fires and 41,797 were special service incidents that required special services. Comparatively, in 2021, the service attended 12,468 fires and 34,185 special service incidents – a respective 81 per cent and 20 per cent decrease. The LFB have previously said that this reduction was mainly due to an increase in fire prevention work by officers.[69] The role of the LFB has changed in recent years. Since the Grenfell Tower tragedy, fire safety issues within London's built environment have become a priority and the LFB has had to adapt its work to address this issue.

[68] HMICFRS, London Fire Brigade
[69]BBC News 1 June 2015 Fire deaths in London are halved over five years

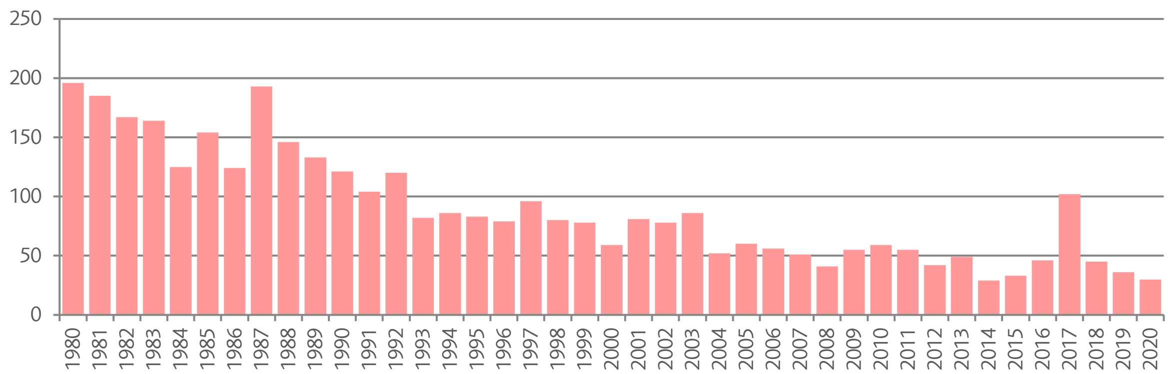
Figure 8: Number of incidences dealt with by the fire service since 2009



Source: London Datastore – LFB Incident Records 2009-2021[70]

In the last few decades, there has also been a downward trend in the number of fire deaths in London (**Figure 9**). The exception to this was 2017, when the Grenfell tragedy occurred. Since the Grenfell Tower Inquiry and the LFC's own review of the Grenfell tragedy, along with HMICFRS's damning inspection of the LFC in 2019, the LFC has embarked on what it describes as an "ambitious" transformational programme. The aim of this programme is to articulate a more strategic direction for the organisation, providing "a strong foundation for 2020 and beyond."[71]

Figure 9: Total number of fire deaths in Greater London, since 1980



Source: LFB, Fatal fires in Greater London – Fire Facts (2020)[72]

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[70] LFB, London Fire Brigade Incident Records 2009-2021
[71] LFB, Transformation Delivery Plan progress, 18 August 2020
[72] LFB, Fatal fires in Greater London – Fire Facts (NB: data for 1977 is missing in the graph, as this year's data was only available up to 31 October 1977 (36,151 fires and 700 chimney fires) due to a national fire service strike)

In 2016, the then in-coming Mayor of London, Sadiq Khan, commissioned an independent report to look at LFB's resources. The Mayer Review, conducted by the former Chief Executive of the GLA, Anthony Mayer, stated that the Brigade could not withstand further cuts "if it is to have sufficient resources to meet the challenges of the future, and to keep Londoners safe." Mayer also stated that further reductions would have a negative impact on the Brigade and would "particularly affect its capacity to manage new challenges and major incidents where the Fire Brigade needs to co-respond with ambulance services, including major health emergencies or terrorist attacks."[73]

Budget submission 2021-22

The LFC's 2022-23 budget submission proposes an £8.8 million budget deficit in 2023-24, which arises "largely due to the growth within the 2022-23 budget". In 2022-23, the LFC's "Medium-Term Financial Strategy Pressures" increase from £1.6 million to £7.6 million, reflecting the additional £7 million of "Departmental Growth" in 2022-23. The LFC proposed to fund the budget deficit by drawing down on its BFR.

In addition to Departmental Growth, the lower level of Departmental Savings (£1.6 million savings in 2023-24, compared with £4.3 million in 2022-23) and the end of the Operational Recruitment Freeze also contribute to the budget deficit in 2023-24.

The LFC's Medium-Term Financial Strategy assumes that there will be a 2 per cent pay award for staff annually. The LFC states that the additional budget pressures created by the pay awards are "currently expected" to be "funded via [a] central government grant".

Across 2022-23 to 2024-25, the LFC proposes to make £7.5 million in savings, of which the bulk (£4.3 million) are to be made in 2022-23. The LFC states that it "will be important that further efficiency plans are developed" to address the £8.8 million budget deficit in 2023-24, guided by a "framework of Value for Money Efficiency Principles to be adopted over the Medium-Term Financial Strategy period". However, there are no concrete savings proposals for 2023-24 and 2024-25 at present.

Given the previous difficulties in delivering efficiency savings, the Committee recommends that the LFC adopts an open approach to its identification and delivery of savings, so that the London Assembly and Londoners can track progress from the beginning of the process.

Recommendation 12: The London Fire Commissioner should publish his Value for Money Efficiency Principles before the end of 2021-22, and include detailed progress on delivering against savings in his Quarterly Performance reports from the first quarter of 2022-23.

[73] GLA, Mayoral press release, No further cuts to London Fire Brigade, says review ordered by Mayor, 2 November 2016

At its 9 December 2021 meeting, the Committee raised concerns about the lack of detail behind the LFC's new savings proposals. Andy Roe, the LFC's Commissioner, indicated that he was comfortable with the level of detail, stating that the LFC has been "fairly judicious" given the overall total value of contracts involved in the LFC. However, the Commissioner also added that referring to the savings targets as "aspirational" was, on reflection, the wrong way of looking at them.

Recommendation 13: Given the previous difficulties in delivering efficiency savings, the Committee recommends that the LFC urgently identifies concrete savings proposals and shares these with the Committee, so that the London Assembly and Londoners can track progress from the beginning of the process.

The LFC's 2022-23 budget submission also includes a number of growth proposals for the period 2022-23 to 2024-25. However, there are concerns that, generally, the proposals are not sufficiently developed, and that the LFC's current track record of overspend on its transformation delivery plan suggests it may continue to overspend on key areas of growth. To date, the LFC is projecting to overspend by £1.1 million on its transformation delivery plan.

In addition, the LFC indicated that its growth proposals in People Services would achieve £1 million savings for the organisation; however, the Commissioner could not provide details of how those savings would be achieved at the meeting. The LFC agreed to write to this Committee to provide more detailed information about how the LFC expects to deliver £1 million in savings in this area.

Around £1.2 million of the LFC's growth proposals for 2022-23 are targeted at learning support services; leadership capability; culture, diversity and wellbeing; and HR systems and services. The funding forms part of a wider HR and culture transformation programme at the LFC, in which a new HR operational model is being developed to "move from dealing with individual HR and personnel issues to partnering with the business to drive systematic change in terms of people". The LFC anticipates that the new operating model will deliver savings, reduce internal risks and contribute to the delivery of the Transformation Delivery Plan and the HMICFRS action plan.

The Fire, Resilience and Emergency Planning Committee met to discuss the culture at the LFB on 30 November 2021. Jaden Francois-Esprit, a trainee firefighter on LFB's apprenticeship scheme, took his own life on 26 August 2020.[74] Jaden's family were concerned that he had been bullied because of his race. While Coroner Mary Hassell said there was insufficient evidence to link race or bullying to the suicide, the need for greater sensitivity towards

[74] LFB, Nazir Afzal OBE appointed Chair of Independent Review into Culture of London Fire Brigade, 4 November 2021

employees' mental health was highlighted; it was also stated that "action should be taken to prevent future deaths."[75]

LFB data shows that employees from African, Caribbean and Asian backgrounds, or those with English as a second language, are less likely to be promoted.[76] Around two-thirds of lesbian, gay, bisexual or transgender LFB colleagues have reported that they do not feel comfortable disclosing their identity at work.[77]

London Fire Commissioner Andy Roe announced a review into LFB's culture following recommendations from the Coroner and an internal investigation in March 2021.[78] The LFC announced his intention to establish a review to look into all aspects of LFB's culture; and his belief that the culture review is the most "robust" way to "build a better brigade."[79] LFB's internal investigation looked at processes and the nature of interpersonal relationships at the time of Jaden's death. Coroner Mary Hassell, who conducted the inquest into Jaden's death, advised LFB to take steps to help prevent similar tragedies in the future.[80] The Brigade wants its culture to be shaped by an "increasingly diverse workforce at all levels", representing London's communities, and one where diversity is "embraced".[81]

LFB proposes that the culture review will be an organisation-wide review of culture that encompasses everyone, up to and including the Commissioner.[82] The specific trigger for the culture review was the investigation report, authored by three members of LFB staff, which made recommendations that form the basis of an action plan. The report included the following key recommendation:

"I recommend that the Brigade commissions an external review of the culture of watches on fire stations. The review should draw upon the findings of this investigation and put in place further recommendations to improve the culture of the Brigade. The review should also ensure that the culture in fire stations is aligned to the desired culture of the wider Brigade."[83]

[75] Coroner ME Hassell: Regulation 28: Prevention of Future Deaths Report – Jaden Matthew Francois-Esprit, 22 February 2021
[76] LFB, Brigade launches wide-reaching, external review of its culture, 18 March 2021
[77] LFB, Brigade launches wide-reaching, external review of its culture, 18 March 2021
[78] LFB, Nazir Afzal OBE appointed Chair of Independent Review into Culture of London Fire Brigade, 4 November 2021
[79] LFB, Brigade launches wide-reaching, external review of its culture, 18 March 2021
[80] Coroner ME Hassell: Regulation 28: Prevention of Future Deaths Report – Jaden Matthew Francois-Esprit, 22 February 2021
[81] LFB, Reviewing our Culture, 27 July 2021
[82] LFB, Reviewing our Culture, 27 July 2021
[83] Mayoral Decision, DMFD117 LFB Culture Review, 16 July 2021

Recommendation 14: The LFC should develop a plan to ensure it has the capacity and required skillset in its people services to deliver cultural change and the required savings from its new operating model. The plan should be shared with the Budget and Performance Committee and progress reported in its quarterly performance report.

The LFC's budget submission refers to the challenges of recruiting and retaining key staff, which has led to a consistent vacancy rate in the organisation. This is an issue that has been persistent in many of the LFC's previous budget submissions; at the Committee's 9 December 2021 meeting, the Commissioner was unable to provide a detailed explanation of the LFC's actions to address this issue.

Recommendation 15: The London Fire Commissioner should develop a plan to recruit and retain staff, where there are key shortages, such as fire safety officers and set out the budget implications by 31 March 2022.

Reserves

In previous budgets, the LFB has built up its reserves through budget surpluses to fund budget shortfalls in the future. These budget surpluses are largely a result of vacancies being held, which leads to underspend. The underspend is then carried into reserves to be drawn down in future years. This has largely been a deliberate strategy, designed to help the LFB cope with the uncertainty around Spending Reviews and funding for firefighter pension costs.[84] The critical issue here is not the use of reserves in itself, but the financial sustainability of a budget that relies on the short-term use of reserves as a funding source in order to be balanced. This increases expenditure in the short term beyond that which can be funded going forward.

The LFB is currently planning to use the balance on the BFR to help address its budget gap and deliver a balanced budget in 2022-23. However, the LFB acknowledges that an increased use of the BFR in this way will deplete the reserve and will impact its ability to balance its budget in future years.[85] The Commissioner recognised the issue in the committee meeting on 9 December 2021 stating:

"Anticipating the uncertainty in the macroeconomic environment, we had set aside £5.3 million additional into that budget flexibility reserve, recognising the pressures, and so we would continue to present a balanced budget by judicious use of that. That is, of course, also in line with a national ask from the Minister and the Inspectorate to make proper planned use of

[84] Budget and Performance Committee meeting minutes, 10 December 2020, p.32.
[85] Ibid., p.37

reserves where appropriate, recognising this Committee's challenge, which we think is valid, to do that as a last resort and drive efficiency from your organisation in the first instance."[86]

The Mayor' s Consultation Budget

The Mayor's Consultation Budget was published on 22 December 2021. This included further income for the LFC this has been used to increase net expenditure and it remains reliant on £8.8 million from the BFR to balance the budget in 2023-24. This Committee agrees with the Commissioner that savings will still be expected to be delivered. At the 8 December 2021 Committee meeting the Commissioner stated:

"*I have sent a very clear message to heads of service that I expect them to realise savings directly related to those investments. It is not responsible, for example, to invest millions of pounds into project management and improvements in how we plan and deliver a portfolio without recognising that you need an outcome from that. I have set a very clear expectation that if we set that level of investment in this financial year, I need to see a return both in the context of efficiency and also increases in productivity and our service out into communities*."[87]

Post-Grenfell

The role of the LFB has changed post-Grenfell. Fire safety issues within London's built environment are still being identified, whilst the LFB has had to adapt its work to address these issues. This has cost money, with the additional funding necessary to purchase new equipment and provide firefighter training. The Brigade has not received additional funding for all of these activities, which partly explains the use of reserves.

However, the December 2019 HMICFRS report into the LFB found that, although it is well resourced, the LFC is overly reliant on reserves. The report stated that the LFB needed to ensure that it had "strong enough plans in place to address financial challenges beyond 2020" and that "these plans should secure an affordable way of managing fire and other risks."[88]

Capital programme

The LFC's capital programme is likely to become increasingly reliant on capital borrowing as the availability of capital receipts come to an end, and capital expenditure increases with the LFC's capital investment programme. The LFC's expenditure against the capital programme in 2022-23 will be funded solely from external borrowing (£34 million). It is expected that external borrowing will fall in 2023-24, but rise in 2024-25 and 2025-26. The LFC considerers his 5-year capital programme to be affordable but this will need to be kept under review.

The LFC's estate transformation programme is key to its wider capital programme, but there has been slow progress over the last few years, in part cited by "the issues caused by COVID-19" and the extent to which the impact of these issues will reduce over time.

[86] Transcripts for Budget and Performance Committee, 9 December 2021
[87] Transcripts for Budget and Performance Committee , 9 December 2021
[88] HMICFRS, Effectiveness, efficiency and people 2018/19-London Fire Brigade, 17 December 2019, p.26

The Committee raised concerns about the future of the LFC's capital programme, including the increasing reliance on borrowing to fund it. At the Committee's 9 December 2021 meeting, the Commissioner stated that it "may be that we do have to move to a greater level of borrowing in subsequent years". The Commissioner identified supply chain issues and an increased reliance on borrowing as the top two risks facing the LFC's capital programme. The Committee shares the concerns expressed by the LFC, and, therefore, recommends that the Commissioner details how the LFC is responding to and mitigating both risks to its capital programme in the future Quarterly Performance reports.

The Committee also heard about the continuing delays to the disposal of the property at the Albert Embankment with the current state thus summed up by the Commissioner on 9 December 2021:

"We are back to a place where I need a fire station there – it is vital to that bit of London – but we are considering all of our options and we will have to develop the site, maintain what is a Grade 2 listed building, and make sure we have a fire station there. We are back to the drawing board on that."

Recommendation 16: The London Fire Brigade should limit its reliance on borrowing and make demonstrable progress on plans for the development of the Albert Embankment property during 2022-23.

Chapter five – GLA Core

Key findings:

- **The Mayor's budget continues to be underpinned by the drawing-down of one-off reserves.**
- **The Mayor has allocated £420 million to revenue expenditure across the recovery missions for 2022-23 and this compares with £446 million for 2021-22.**

Background

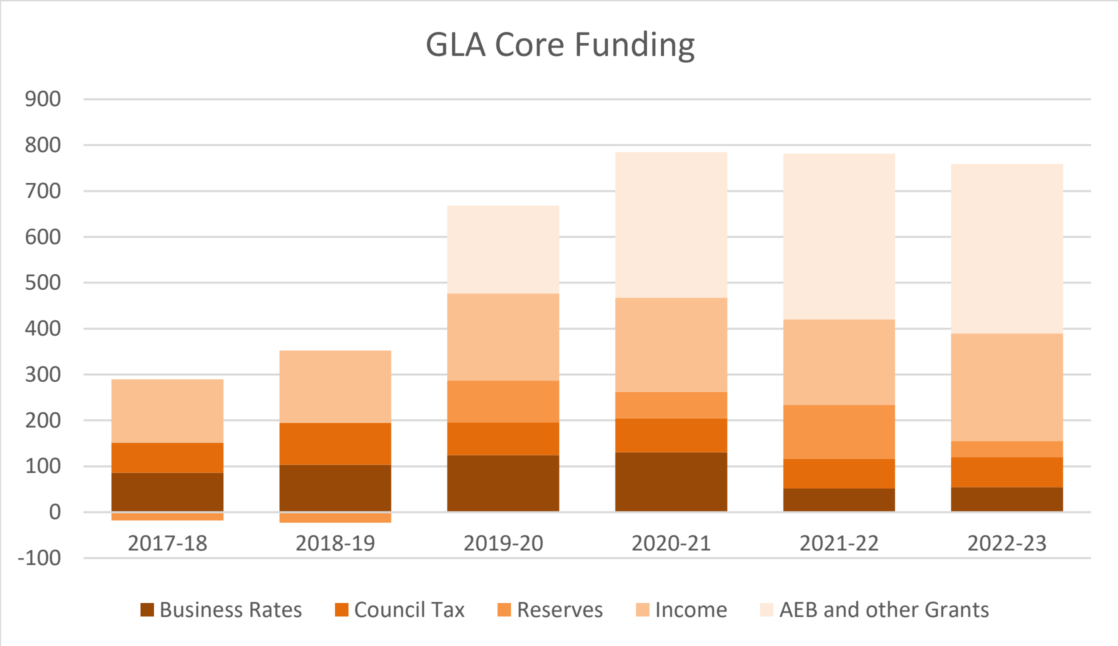
The GLA Core 2022-23 Budget is funded from a combination of base revenue funding from Business Rates, Council Tax and interest income; one-off revenue drawdown from reserves; sources of external revenue income (including the Adult Education Budget (AEB)); and a funded capital programme.

As with previous years, uncertainty around the level of funding will remain until the Government's draft financial settlements for the GLA Group are announced in December and London boroughs' updated tax return forecasts are received in late January 2022. There is also a level of continuing uncertainty relating to the impact of COVID-19 on the funding available to the Mayor for next year.

The revenue expenditure for the GLA Core budget has seen an increase in expenditure of 280 per cent since this Mayor's first budget for 2017-18.[89] This has been driven predominantly by the devolution of the AEB, which is £336 million for 2022-23. This is supplemented by £10 million from the European Social Fund (ESF) which is mostly match-funded by AEB-procured provision.

[89] City Hall, The Mayor's budget

Figure 10: GLA core funding sources



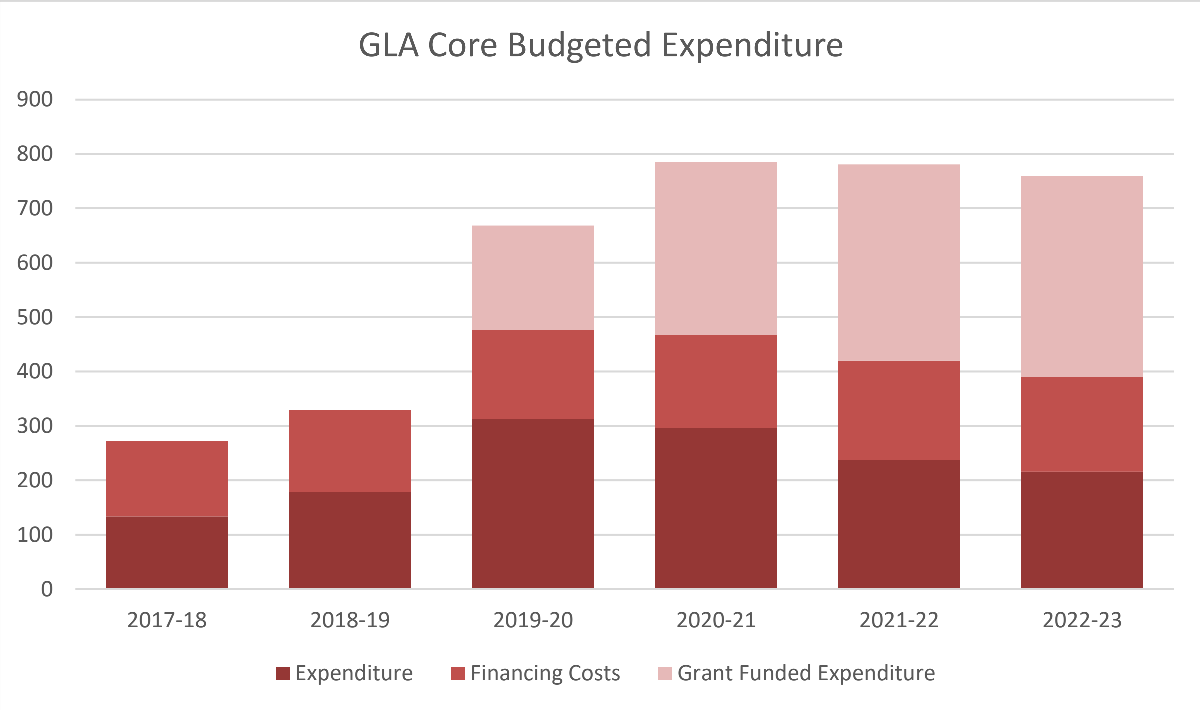
This chart does highlight the extent to which the Mayor's budget has been underpinned by the drawing-down of one-off reserves, although this is decreasing in 2022-23. The 2021-22 reserve drawdown included the use of a specific £20.9 million reserve to fund the GLA elections.[90] The chart also highlights the reduction in funding through Business Rates as a result of the impact of the pandemic.

The income figure is predominantly from the Mayor's Crossrail Business Rates Supplement and the Community Infrastructure Levy, which is used to fund the financing costs for Crossrail. This is the majority of the GLA financing costs shown in the table below.

The increase in funding has seen the Mayor's core expenditure increase by 62 per cent to £216 million since his first budget in 2017-18. However, this has fallen from a peak of £313 million in 2019-20.

[90] GLA: Mayor Budget, 2021-22, p.16

Figure 11: GLA core budgeted expenditure

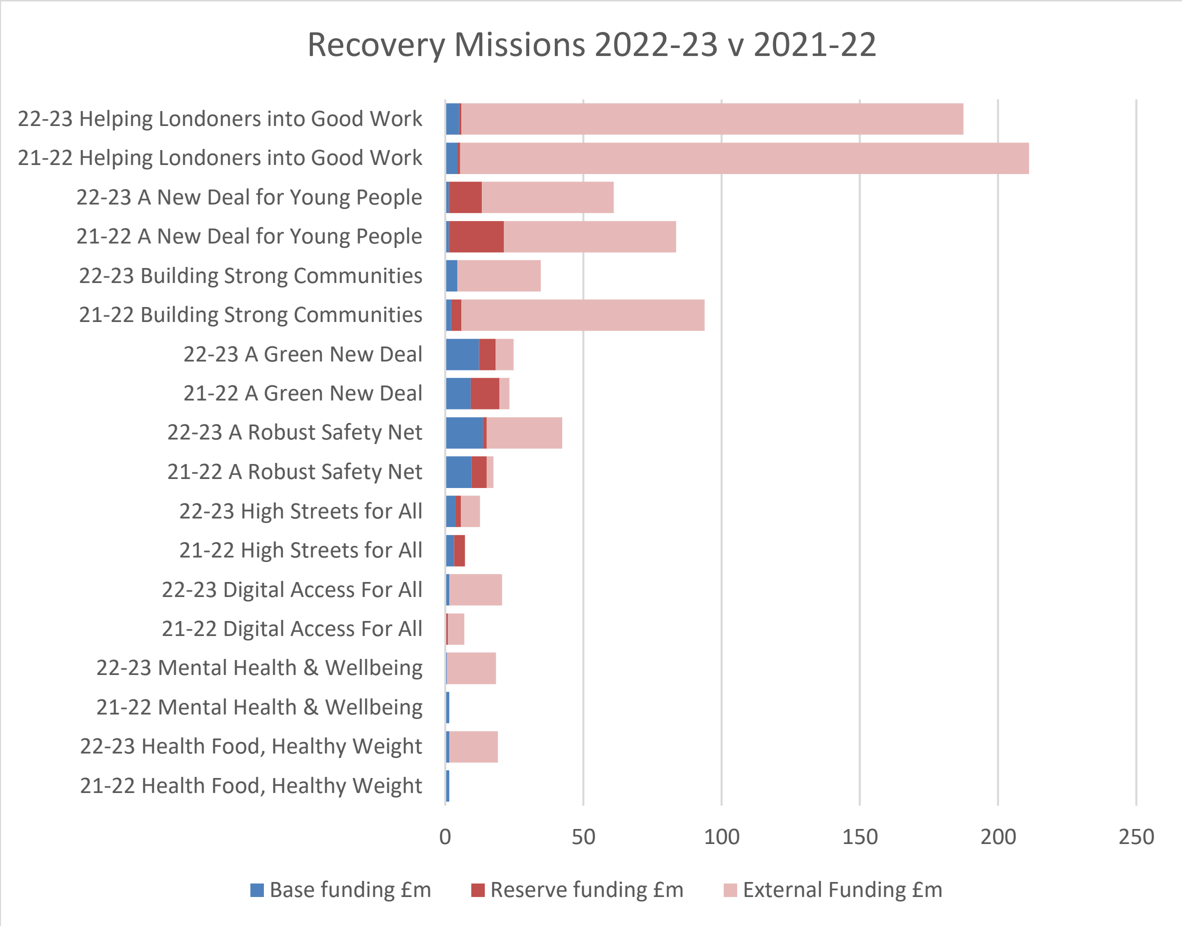


Recovery Missions

The Mayor has allocated £420 million to revenue expenditure across the recovery missions for 2022-23. This compares with £446 million for 2021-22.

The external funding is predominantly through the AEB and the way this has been allocated to the Recovery Missions has changed for the 2022-23 Budget. For example, the Recovery Mission budget for Digital Access for All has a low level of base funding, but alongside that the GLA has now identified the proportion of the AEB and the ESF funding that is going into the provision of skills, courses and activities that relate to digital skills of all kinds. This has increased the funding level significantly, but those types of activities were being provided previously; they just were not captured in this way. There is not a significant change in the type of support that the GLA is providing for digital skills between the two years, despite there appearing to be a jump between the 2021-22 budget and the 2022-23 budget.

Figure 12: Recovery missions budgeted expenditure[91]



The Green New Deal is a priority for the Mayor. It has one of the highest levels of direct Mayoral funding of any of the missions. The scale of the challenge was set out by the Executive Director of Good Growth in the Budget and Performance Committee on 23 November 2021. He stated:

"The bigger picture here is critically important about the scale of funding that is required to achieve the goals of this mission and the role that the GLA's core funds and GLA Mayor funds can play in that, versus the opportunities to secure those and the work that needs to be taken to secure those. We are still modelling/remodelling to work out exactly what is needed for the net zero by 2030 target, but when we looked at net zero by 2050 we were looking at, I think, around £61 billion just for retrofitting London's building stock, if I remember correctly. Even if we were to get from £19 million back up to £25 million, that is not really making a difference there."[92]

[91] Para 5.4 Appendix 1 Draft GLA Mayor Budget 2022-23.pdf (london.gov.uk)
[92] Transcript for Budget and Performance Committee, 23 November 2021

With a budget allocation of nearly £25 million of revenue expenditure, it has only two established performance indicators for 2021-22. One of these is the delivery of 2,500 zero-emission TfL buses by 2025, which is primarily delivered by TfL. The other is 'number of green economy businesses supported in product development and business growth by GLA programmes'. When questioned on the performance measures the Executive Director of Good Growth stated:

"What we do not have in the Dashboard at the moment, but we will clearly be wanting to develop as the scale of funding available becomes clearer, are targets for what we will achieve in terms of deployment of energy efficiency measures, and improvement in emissions performance of London's homes and potentially also commercial buildings."

The Committee agrees that a performance measure around the deployment of energy efficiency measures, and improvement in emissions performance of London's homes is essential to monitor progress in this key area.

Recommendation 17: The GLA should develop further effective performance metrics to demonstrate the progress in delivering the recovery missions by 31 March 2022.

Recommendation 18: The Committee supports the improved allocation of the AEB across the recovery mission, but this should be on a consistent basis going forward to prevent large variances in the allocation to recovery missions that do not reflect any underlying changes in delivery.

The proposed budget will continue to support the Mayor's ambitions to support London's recovery through the delivery of pan-London Missions agreed and designed through collaborative work between the GLA, London's boroughs, London Councils and other partner organisations. This Committee heard from the Mayor's Deputy Chief of Staff, at its meeting on 23 November, that the work of the London Recovery Board will come to an end in 2023-24, but that it had improved the way key stakeholders had work together. He stated:

"The relationships the Recovery Board has prompted between the mayoralty, the boroughs, civil society, business groups and others, has been incredibly positive. I would be very loathed to lose that way of working."

At the same meeting the Mayor's Chief of Staff added:

"It has been a new much-improved way of working with boroughs and other partners. The budget reflects the fact that we have borough elections coming up in May and we will want to get through the other side of that, get a bit more experience of the recovery programme, and then maybe start talking to colleagues who are elected from London councils about evolution over time and what direction that will go in. It is a relatively small sum in the scheme of things, and we are committed to the partnership working with London councils and others. We are open-minded about the best way to do it at this stage."

Recommendation 19: The GLA should set out a plan to maintain the improved working relationships that are evident from the London Recovery Board's work by the start of 2022-23.

Housing

Housing affordability is one of the most pressing issues facing Londoners, and the Mayor says it is a priority for his administration. The Mayor has a housing strategy aimed at various parts of the market. The Mayor's primary intervention is the investment of £4.8 billion in Government funding to build more affordable homes, with a target of 116,000 new and affordable home starts by 2023.

The volume of housing completions in London has increased in recent years. The number of housing completions increased from 7,775 in 2019-20 to 9,051 in 2020-21, which represented a 16.4 per cent increase. The rate is higher when compared with the Mayor's first year in office, 2016-17 – equivalent to an 83.4 per cent increase from 4,934.

Over £800 million is allocated in the GLA's capital programme for 2022-23 to housing delivery. This will support the construction of over 63,000 affordable homes from 2022-23 onwards, through the 2016-23 and 2021-26 affordable homes programmes. These will be delivered working in partnership with other members of the GLA Group, London boroughs, housing associations, private developers and other housing providers.

At the February 2021 Housing Committee meeting, the Deputy Mayor for Housing, Tom Copley, stated that the target housing starts figure for 2020-21 (as agreed with the Government) was 10,300 homes. At the end of the delivery year, in March 2021, the number of homes started stood at 13,318 – this is 3,018 more starts than the target. This total was 3,938 below the previous year, which saw a total of 17,256 affordable homes starts – the highest number of affordable starts recorded by the GLA.

In order to meet the Mayor's overall target of 116,000 homes by 2023, 50,911 homes still need to be started by 2023. That means an average of 25,456 home starts per year are needed for the next two years to meet the target. At the Budget and Performance Committee on 15 June 2021, the Mayor's Chief of Staff David Bellamy stated that despite the challenges presented to the construction sector by COVID-19 and Brexit, he was confident that the target number of starts would be reached by 2023 as planned.

At the 15 June meeting he stated, with regard to delivery of the target of 116,000 affordable home starts:

"The team believes it is deliverable. The team has a track record – the last year was exceptional – of increasing the number of starts every year. It has the pipeline there to do it. Given both the economic environment and the building safety environment, which is a priority for many affordable housing providers to focus on the state of their existing stock, it is going to be a challenge, but it is one that the team says it believes can be delivered. We are going to go flat-out to do that."

In November 2020, the Mayor received a further £4 billion to fund and deliver an affordable homes programme (AHP) over the period 2021-26, with the expectation that this would support 35,000 affordable housing starts on site between 2021 and 2026, with completions by 2028 for most projects and some strategic sites completing in 2029. This is significantly lower than the 116,000 starts expected under the 2016-23 programme.

The reduction was explained by the Deputy Mayor for Housing and Residential Development at the 19 October Housing Committee. He stated:

"The lower figure is reflective of a number of things. It is reflective of the fact that the cost of developing affordable homes has gone up. We have a lower total settlement this time around. We had the total of £4.9 billion for 116,000. We now have £4 billion for 35,000. We also have more conditions attached to the programme….every time you attach an additional condition that makes delivery more challenging."[93]

At the Budget and Performance Committee meeting on 23 November 2021 the Executive Director for Housing and Land confirmed his confidence in achieving the 116,000 affordable homes starts target but highlighted that there were challenges:

"We are still on track to meet that target, but it is worth bearing in mind that it is quite a challenging environment that housing providers are operating in at the moment. Over the last year alone, we have seen significant labour shortages and build cost inflation. When the target was agreed back in 2016, the economy and the housing market was in a very different place. Notwithstanding the challenges that I have outlined, as I said, at this point in time we are on track."

The new AHP 2021-26 will operate alongside the existing AHP 2016-23. Overall, across the two programmes, the GLA will work with partners to start 82,000 affordable homes up to March

[93] Housing Committee, 19 October 2021

2026 – 35,000 will be funded through the AHP 2021-26, while the others will be funded through the AHP 2016-23. While the 35,000 affordable homes under the new programme must be completed by 2029, there is no target date for completions under the 2016-23 programme under the agreement with the Ministry for Housing, Communities and Local Government (MHCLG) (now the Department for Levelling Up, Housing and Communities).

On the 13 October 2021 the Mayor appointed Lord Bob Kerslake to lead a review to further improve and streamline housing development across the wider GLA Group and deliver more of the genuinely affordable homes Londoners need. The review will examine housing delivery across the GLA Group, and make recommendations to enable the Group to work together more effectively and benefit from collective experience and expertise.[94] The Review of GLA Group Housing Delivery follows from a commitment in the Mayor's 2021 election manifesto. It will report in early 2022.

The Mayor has allocated £422k to deliver his manifesto commitment to pilot a City Hall developer in order to deliver new and affordable homes for Londoners. The pilot will be informed by the Kerslake review.

This Committee reported in January 2020, that even before the pandemic £1.7 billion of the £4.8 billion funding from Government from the AHP was due to be spent in the years after 2022-23. This is intended for planned schemes that have multiple phases.[95] According to the Executive Director for Housing and Land at the 23 November meeting:

"At present, we have homes completed in the programme all the way up to the early 2030s. Those are major schemes, multi-phased projects that without that commitment of funding to be able to get going and to get onsite, would not have gotten away. I mentioned schemes going into the early 2030s; we are talking about two or three major schemes. Most of the completions will come onstream by around 2026-27."

On 15 December 2021 the Mayor announced that a total of 4,689 new council homes were started in London in the 2020-21 financial year, thanks to the Mayor's Building Council Homes for Londoners programme. London has not seen municipal homebuilding on this scale for more than 40 years.

Earlier this year a new deal was agreed with ministers to fund council and other affordable homes for Londoners over the next five years in the first round of the new 2021-26 Affordable Homes Programme. The programme – combined with the remainder of the extended 2016-23 programme – is anticipated to see 79,000 new genuinely affordable homes started over the next five years. The majority of homes for social rent in the 2021-26 programme will be delivered by local authorities.

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[94] City Hall, ['Kerslake Review' to further improve GLA Group housing delivery | London City Hall](), 13 October 2021
[95] London Assembly, [Response to the Mayor's Draft Consultation Budget 2020-21](), January 2020

Recommendation 20: The GLA should publish the Kerslake review once it has been finalised and to inform this Committee of the changes that will be made in response to the report's findings.

Relocation of City Hall

The Mayor confirmed in November 2020 that the GLA would vacate City Hall and relocate to the Crystal, as part of a proposal he claims will "save £61 million over five years".[96] Initially, the GLA expected to move into the new building by autumn 2021, but it was later announced that, due to project delays, staff would not be able to relocate until "mid-December" 2021.[97] This has now been further delayed and at the time of writing there is no confirmed date of completion.

In answer to a February 2021 Mayoral Question, the Mayor confirmed that the relocation would cost £14 million, which the GLA would pay for via a mixture of a drawdown on reserves and savings in its revenue budget.[98]

When, in November 2020, the Mayor made his decision to relocate City Hall to the Crystal (MD2705), it was estimated that the GLA would make £47 million of savings over five years; and that there would be Group-wide savings of £61 million over the same period. The GLA 2022-23 budget submission states that it is on course to deliver the savings anticipated in MD2705.

If the GLA had stayed at the current City Hall, the GLA budget submission states:

"The annual costs (including the contractual rent increase) would have been £19.1 million per annum. The estimated annual costs of the new City Hall, together with additional costs at Union Street, are now £9.2 million. Allowing for additional costs of TG arising from the relocation of £0.2 million (which would have been incurred in future in any event but have been brought forward by the relocation), the difference between what the GLA will pay and what we would have paid, under the contract with which we lease the current City Hall, is therefore £9.7 million per annum."

This interpretation continues to overlook both the smaller number of desks available in the new locations as well as the discount rent offer that was received from the Landlord of the Old City Hall. When challenged on this at the 5 January 2022 Budget and Performance Committee the Executive Director of Resources stated that the reduced rent offered by the City Hall landlord would only be relevant if the GLA had stayed at City Hall.[99] It was also noted at the 5 January 2022 meeting that the savings figure did not reflect the additional rent incurred by the OPDC or the possible return from redeveloping the land at the Crystal.

[96] City Hall, Mayor confirms relocation of City Hall to protect services, 3 November 2020
[97] GLA Core Brief, sent via email, 30 September 2021
[98] Mayor's Question Time, City Hall Savings, 17 December 2020
[99] City Hall, Budget and Performance Committee, 5 January 2022

Recommendation 21: The GLA should agree a fair value for the savings from the relocation from City Hall that fully reflects the discounted rental offer from the landlord. This figure will need to be reported in the quarterly monitoring reports from the first quarter of 2022-23 to ensure that this level of savings is delivered.

The London Assembly

The London Assembly's budget allows the Assembly Members to hold the Mayor to account, conduct investigations into issues of importance to Londoners, enable Assembly Members to conduct their representative and constituency roles and oversee the work of London TravelWatch.

The London Assembly plays a key role in scrutinising the Mayor's proposed budget and the delivery of his manifesto commitments. Since 2016 the Mayor's budget has increased through additional devolution and become more complex, whilst the budget of the London Assembly has remained broadly flat. This Mayor's first budget for 2017-18 totalled £15.9 billion. The proposed budget for 2022-23 is £19.1 billion, a 20 per cent increase. The proposed budget for 2022-23 at £8 million is a four per cent reduction from 2021-22.

Given the Mayor's executive powers are reliant on an effective London Assembly, he should be protected from the temptation to undermine the effective discharge of its functions by reducing its budget. A Mayor without proper scrutiny would be a loss to Londoners.

Recommendation 22: The London Assembly should be appropriately funded to effectively discharge its scrutiny function. The reduction for 2022-23 should be fully justified in the Mayor's Final Draft Budget.

Chapter six – London Legacy Development Corporation

Key findings:

- **E20 Stadium LLP continues to be loss-making, with a £24.8 million loss for 2020-21.[100] There are currently no effective commercial strategies to minimise the operating subsidy.**
- **While the level of affordable housing permissions is improving, there has been only modest delivery, by the LLDC, against affordable housing targets, with only 23 per cent affordable housing to date.**

Introduction

The LLDC was established in 2012 to manage the physical legacy of the 2012 Olympic Games.[101] Its stated aim is to "use [the] opportunity of the London 2012 Games and the creation of Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK".[102] Along with managing Olympic Park venues, the LLDC is responsible for developing the Park as a community where people work and live. By 2036, the LLDC plans to deliver 33,000 new homes in the wider area and five new neighbourhoods in the Park.[103]

The LLDC was set up as a time-limited organisation that would, in due course, complete its development programme before returning its planning powers to the boroughs. It is required to establish long-term arrangements for the management of the Olympic Park and surrounding neighbourhoods and transfer these to a legacy organisation. Currently this is set for 2025.

2022-23 budget submission

The LLDC's 2022-23 budget submission proposes a gross revenue expenditure of £61.5 million, including estimated capital financing costs of £12 million as well as £12.6 million net funding for the Stadium. This year's budget also includes high-level estimated costs of the transition of the LLDC in 2024-25.[104]

The LLDC's net revenue budget for 2022-23 of £44.7 million will be fully funded through the Mayor's annual revenue budget. The London Stadium at £12.6 million accounts for 28 per cent of the net budget. In addition, the Mayor also funds £78.2 million of the LLDC's capital budget

[100] LLDC, Annual Report and Accounts 2020/21, p.85
[101] Secretary of State for Communities and Local Government, The London Legacy Development Corporation (Establishment) Order 2012
[102] LLDC, Vision, Mission and Values
[103] The new neighbourhoods are Chobham Manor, East Wick and Sweetwater, Stratford Waterfront, Pudding Mill and Rick Roberts Way.
[104] LLDC, 2022/23 budget submission

for 2022-23 of £245.7 million for the year.[105] The remaining capital expenditure will be funded from a combination of capital receipts from property developments and capital income from the East Bank.[106]

Around 80 per cent of the capital budget (£197.1 million) is earmarked capital for construction of the East Bank, the LLDC's flagship cultural and education district. The LLDC forecasts it will generate around £16.8 million of revenue income in 2021-22, 84 per cent of which is to come from Park operations and trading.

Park operations income is largely income from the Fixed Estate Charge (FEC), a charge on all occupiers of the Park to contribute towards the cost of maintaining the Park and its facilities. It is assumed that the LLDC's income from this charge will increase as developments are completed and more occupiers move onto the Park in the later years. Following the transition, it is envisaged that when developments are completed on the Park (in the early 2030s) and income from the FEC has increased accordingly, the requirement for grant funding, excluding the London Stadium, should be eliminated.

At the 8 December 2021 Budget and Performance Committee meeting, the LLDC's Chief Executive, Lyn Garner, stated that the Park would not be sustainable in 2025 (at the point of the LLDC's transition), as the full effect of the FEC would only be realised in 2032, once developments are complete. This raises a question of how the LLDC's activities will be transferred over to a legacy body without that legacy body inheriting significant financial liabilities.

GLA borrowing facility

During the 2018-19 budget process, the GLA capped the LLDC's borrowing at £520 million.[107] In 2021-22 the borrowing limit was increased by the GLA to £550 million from 2023-24. According to the 2022-23 budget submission, the LLDC is forecast to exceed this limit in 2025-26 by circa £10 million. This will be reviewed with the GLA as part of next year's budget submission when the borrowing limit for 2025-26 will be set formally.

There have been questions over whether the LLDC will be able to repay the loan. At the 10 December 2020 Budget and Performance Committee meeting, the LLDC's Executive Director of Financial, Commercial and Corporate Services stated:

"The current model still produces a surplus of over £100 million in respect of repayment of the borrowings. That has reduced on previous years. In previous years, that was running at around £200 million. We are more comfortable with it running at £200 million, but it is still in surplus."

At the 8 December 2021 Budget and Performance Committee meeting, the LLDC stated that although the surplus had reduced "slightly" the model "is still very positive." The GLA's

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105 This figure includes capital financing costs; LLDC, 2022/23 budget submission, pp.6, 10, 30
106 LLDC, 2021/22 budget submission
107 Budget and Performance Committee, 3 January 2018

Executive Director of Resources confirmed on 5 January 2022 at the Budget and Performance Committee meeting that he is expecting a "material surplus" to be generated by the LLDC.

Recommendation 23: If the LLDC requires further funding from the GLA then this should be in the form of a loan that should increase up to the value that the LLDC can expect to be able to repay and not be arbitrarily capped. This will ensure that as much of the GLA's investment as possible is returned to the GLA.

Affordable housing

The LLDC says it is taking a mixed approach to affordable housing across the Park. The first two neighbourhoods – Chobham Manor, and East Wick and Sweetwater – were already in development when the Mayor set his 50 per cent target in the London Plan 2021 for all new homes delivered across London to be affordable. Instead, these will deliver 35 per cent[108] and 30 per cent[109] affordable homes respectively. The remaining neighbourhoods – Stratford Waterfront, Pudding Mill Lane and Rick Roberts Way – have a target for 50 per cent affordable housing, using a portfolio approach. However, meeting this target would still see the entire site fall short of the 50 per cent target.

Despite ambitions for future sites, affordable housing delivery has been modest so far. In 2019, 44 per cent of new homes permitted for development were classified as affordable; however, since 2014, only 23 per cent of the 11,519 homes completed to date have been affordable (2,615 homes out of 11,519 – see **Figure 13**). Also, approximately half (1,285) of the affordable homes delivered to date are 'shared ownership' or 'intermediate' homes. Concerns have been raised about the genuine affordability of these homes to those on low incomes, especially those living locally.[110]

[108] This is up from 28 per cent last year.
[109] First phase to deliver 43 per cent affordable homes (LLDC, Annual Report and Accounts 2019/2020, p.5)
[110] *Newham Recorder*, Community Letter questions Mayor of London's commitment to genuinely affordable homes at Stratford Waterfront, 24 July 2019; *Independent Catholic News*, Community calls for new deal on Olympic Park housing legacy, 23 August 2020

Figure 13: Share of affordable homes completed since 2014 (cumulative)

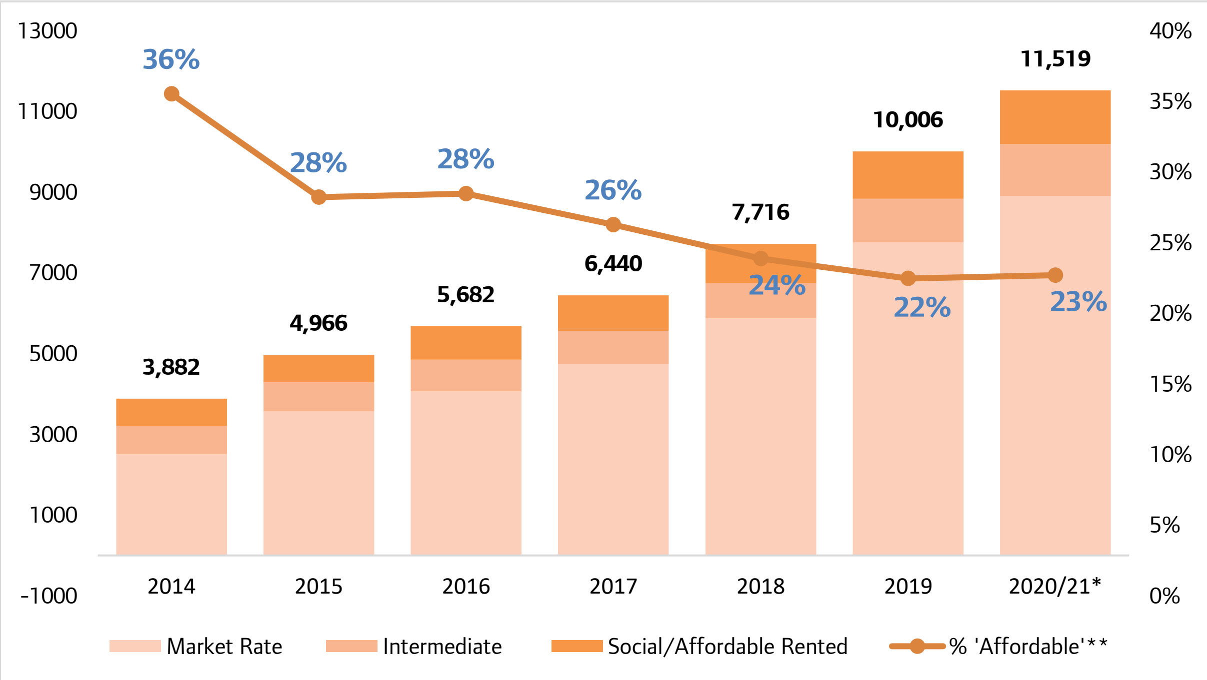


*Figure includes Q1 2020
**Affordable = 'social/affordable rented' and 'intermediate'

The LLDC has stated that low levels of affordable housing are due to "historic planning applications approved under the previous Mayoralty when affordable housing targets were lower." However, under the previous Mayoralty, the site-wide target for affordable homes was 35 per cent – the LLDC had only delivered a 28 per cent proportion of affordable homes by 2016.[111]

At the 8 December 2021 Budget and Performance Committee meeting, Lyn Garner stated that affordable housing delivery "will end up somewhere between 20 per cent and 30 per cent affordable across the whole, because we have a lot of historical permissions that are under 30 per cent affordable in this area."

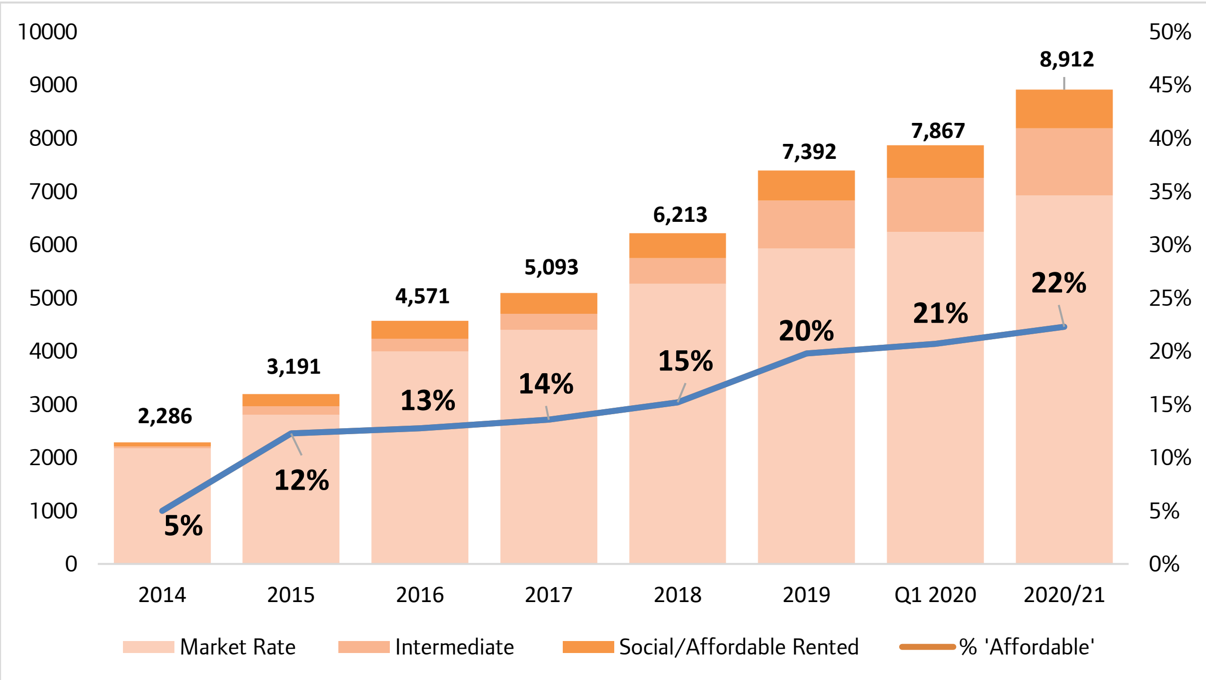
As **Figure 14**, below, shows, planning permission for affordable housing has increased steadily since 2016 but only reached 22 per cent for 2020. This indicates that an improvement on affordable completions is expected but not to the extent that it needs to be. The LLDC started showing an upward trajectory for affordable housing although this has fallen from an already-low level of 28 per cent in 2016 to 23 per cent in 2020-21.[112] In a letter to the Budget and Performance Committee in March 2021, Sir Peter Hendy CBE, Chair of the LLDC, stated that housing schemes on publicly owned land were delivering 50 per cent in line with the London Plan.

[111] London Assembly Plenary, Questions to the Mayor, Physical Legacy of the Olympic Park 14 November 2012
[112] LLDC, Planning Authority Monitoring Report (2019 – 31 March 2020), July 2020

In a subsequent letter to the Chair of the London Assembly in November 2021, Sir Peter Hendy CBE stated that 5,774 homes would be delivered by 2030 on LLDC-owned land, of which 40 per cent will be affordable housing and 64 per cent will be family-sized homes. This was confirmed by the LLDC's Chief Executive, Lyn Garner at the 11 November 2021 Plenary session. This suggests that the LLDC will not meet the Mayor's target for 50 per cent affordable housing publicly owned land.

The share of affordable homes permitted is slowly improving but remains below the Mayor's target.

Figure 14: Share of affordable homes permitted since 2014 (cumulative)



Recommendation 24: The LLDC should look to improve the level of affordable housing to be delivered across the remaining developments on public owned land.

London Stadium and other operational costs

E20 Stadium LLP (E20) is the body set up to manage and transform the stadium. The stadium, which on its own constitutes 25 per cent of total annual revenue expenditure and has been "central to the Park's vibrancy and legacy,"[113] continues to be a significant loss-maker for the

[113] LLDC, Annual Report and Accounts 2018/2019, p.85

LLDC. It lost £24.8 million in 2020-21 alone.[114] Despite steps to reduce operating costs, the LLDC predicts that at best it can reduce the loss to between £8 million and £10 million annually. Even this appears optimistic, given E20 lost £27.6 million in 2018-19,[115] £29.1 million in 2019-20[116] and £24.8 million in 2020-21.[117]

So far, limited progress has been made to find alternate sources of stadium and wider Park income to compensate for operating costs. This is highlighted by the lack of progress over naming rights for the stadium. This is an issue that has been dragging on for a number of years. At the 8 December 2021 Budget and Performance Committee meeting, Lyn Garner stated that although a potential deal with a partner had fallen away in March 2020 and there was "nothing else," currently under consideration she was still "probably feeling more optimistic than I ever have done in this job."

The 2022-23 budget submission assumes additional income from 2023-24 from the Marketing, Sponsorship and Park Assets strategy (e.g. advertising or naming rights on individual assets and/or Park-wide). At the 8 December 2021 Budget and Performance Committee meeting, the LLDC stated that although there was a commercial strategy for the Park, this was only in its infancy and there was not yet a full commercial plan.

The budget goes on to state that there will be a focus on increasing commercial income, with the anticipation that £2.3 million will be generated in 2023-24 and £2.4 million in 2024-25. At the 8 December 2021 meeting, the LLDC stated that there was "some aspiration" around this figure. The Committee's recommendation is unchanged from previous years.

Recommendation 25: The LLDC must make demonstrable progress towards securing a naming rights deal for the London Stadium in 2022-23 and show that the deal reflects good market value. Progress should be reported to this Committee in its quarterly performance reports.

Transition

While there is still significant work to do to fulfil the legacy commitments made in the original London 2012 bid, the LLDC anticipates that key objectives will have been delivered by 2025. It has been agreed by the Mayor of London that the LLDC's town planning powers will return to the relevant boroughs by 31 December 2024.

114 LLDC, Annual Report and Accounts 2020/2021, p.83
115 LLDC, Annual Report and Accounts 2018/2019, p.36
116 LLDC, Annual Report and Accounts 2019/2020, p.75. The 2019-20 figure comes from LLDC Group Accounts and includes London Stadium 185 Limited, which became a wholly owned subsidiary of the LLDC from January 2019.
117 LLDC, Annual Report and Accounts 2020/2021, p.85

The LLDC is currently heavily reliant on funding from the GLA to support delivery of its objectives. While it is envisaged that some form of ongoing public subsidy will be necessary to support the operation and oversight of the Park into the future, the LLDC's expectation is that this will be much reduced from current levels. Between now and 2025, the LLDC is seeking to drive down costs and maximise the commercial value of the Park and its assets, in order to reduce post-transition financial liabilities as much as possible while maintaining delivery of social value and community benefit. The LLDC anticipates reducing the burden to the taxpayer by at least £17 million over the course of this strategy period, with scope for further reductions dependent upon the success of commercial partnership arrangements in particular. This compares with a funding requirement for £43.3 million in the 2022-23 Budget and would represent a reduction of 39 per cent.

At the 8 December 2021 Budget and Performance Committee meeting, Lyn Garner stated that the LLDC would have more clarity on how the public subsidy will be minimised in spring 2022.

The loss in value of the park

As part of managing the Olympic legacy, the LLDC oversees a range of former Olympic venues and other attractions and businesses across the Park. Operation of the Park and its venues (including trading) was budgeted to generate £13 million in 2020-21, or around 85 per cent of the LLDC's revenue income.[118] However, venues across the Park, including the London Aquatic Centre, the Copper Box Arena and the London Stadium continue to make an overall net loss.

The LLDC is taking many steps towards reducing costs and increasing income generation. The 3 Mills Studio is bringing in substantial income to the Park; strategies are in place to reduce the annual stadium losses; and progress is being made on the major development sites, which are realising at least some of the forecast capital receipts.

Despite these steps, the LLDC's overall value is falling at an alarming rate. While at the first year of its establishment the LLDC assets were greater than its liabilities by £161 million, this overall value has been eroded. Between 2014-15 and 2020-21 the value of the LLDC fell by £478 million: over this period the value of the organisation changed from a positive £210 million position to a negative £268 million position, with a 43 per cent increase in net liabilities of £81 million in 2020-21 (**Figure 15**).[119]

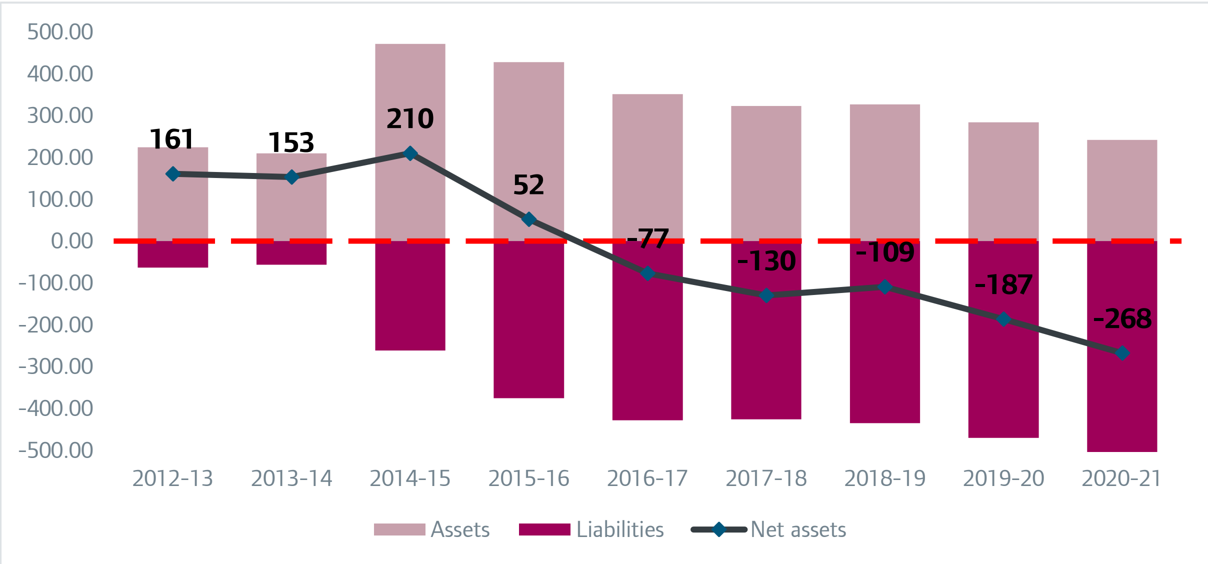
In his March 2021 letter to this Committee, Sir Peter Hendy, CBE, stated that net assets had decreased for a number of reasons including planned disposals of assets; changes in the fair value of its assets, reflecting the increased provision of affordable housing in line with Mayoral policy; and the decision to prioritise the East Bank as opposed to residential units, which has brought lower-than-anticipated receipts.

This position could worsen over coming years, with the stadium continuing to lose money and possible East Bank cost increases. The East Bank's value relies heavily on the viability and

118 Mayor's 2020-21 Budget, p.52
119 LLDC, Annual Report and Accounts 2020/21, p.45

growth prospects of arts and cultural institutions. Through no fault of the LLDC's, the business cases of such institutions are riskier in the post-pandemic world. In addition, projected capital receipts from housing developments may not be fully realised. Finally, achieving the 50 per cent affordable home target on new sites will require substantial subsidy. While the potential for the area remains significant in terms of re-developing a growing part of London and ultimately producing a surplus, this loss in value demonstrates that the LLDC is an increasing risk for the GLA.

Figure 15: Increasing LLDC net liabilities over time (£m)



Source: LLDC Annual Reports, 2012-13 to 2020-21

Chapter seven – Old Oak and Park Royal Development Corp

Key findings:

- **The OPDC has still not secured any land five years after agreeing a Memorandum of Understanding with the DfT around the use of its land holdings.**

Introduction

Launched in 2015, the OPDC is the development agency for the regeneration of a large site in north-west London spanning the London Boroughs of Hammersmith and Fulham, Brent, and Ealing. Its aim is to capitalise on the HS2 and Elizabeth line (Crossrail) investments in the area to create a "whole new centre and community for West London."[120] The current Mayor has described it as "London's single largest opportunity area for new housing."[121] When complete, it is predicted that the entire redevelopment of Old Oak and Park Royal will deliver 25,500 new homes and 65,000 new jobs.[122]

In 2019, the OPDC announced it was abandoning the plans it had been developing over the previous four years for Old Oak North – a site that was, up until then, considered key to unlocking regeneration in the area – in favour of a "more strategic scale of regeneration" in an area referred to as the "Western Lands." Accordingly, the OPDC stopped a £549 million capital plan approved in 2019-20 that would have supported the Old Oak North development.

2022-23 budget submission

In expenditure terms the OPDC is by far the smallest of the GLA's functional bodies. The Mayor's proposed gross revenue expenditure for the OPDC in 2022-23 is £7.5 million. This is £1 million higher than the gross forecast revenue expenditure for 2021-22.[123]

There is no capital plan in 2022-23 for the OPDC. Revenue expenditure in 2023-24 and 2024-25 is expected to be £7.6 million for each year. At the 8 December 2021 Budget and Performance Committee meeting, the OPDC's Chief Executive, David Lunts, stated that as the OPDC moved into the delivery phase of the project, "there is going to be a call on additional resources […] that is a point that I have made very directly to the Mayor and to GLA finance colleagues."

Local Plan progress

The OPDC cannot progress its plans for the Western Lands without an approved Local Plan in place. Significant sections of the OPDC's initial draft Local Plan were rejected by the Planning Inspector in his interim findings in September 2019. The Planning Inspector directed the OPDC to reduce the homes and

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[120] City Hall, Introduction to the Old Oak and Park Royal Development Corporation
[121] GLA, Mayor's Comprehensive Spending Review submission, p.27
[122] OPDC Vision and Mission
[123] OPDC, 2022-23 Consultation Budget Tables

jobs targets by 30 per cent and 7 per cent respectively.[124] However, despite the change of direction and the different layout of the area, the OPDC's target for new homes and jobs remains largely unaltered. In the local plan main modifications consultation, 19,850 homes are proposed over the 20-year plan period (2018-38), compared to the original figure of 20,100 homes. It is proposed that 13,700 homes will be delivered in the first ten years and that between 35 and 50 per cent of all new homes will be genuinely affordable. The document also states that 36,350 new jobs are planned over the plan period; a change from 40,000.[125]

The OPDC previously suggested that its amended Local Plan would be adopted by autumn 2021.[126] However, the inspector has confirmed that he wished to hold four public hearing sessions on the post-submission draft Local Plan and its associated evidence documents. The hearings took place on Tuesday 11 January and Wednesday 12 January 2022.[127] At the 8 December 2021 Budget and Performance Committee meeting, David Lunts stated that he was confident that the plan would subsequently be approved by spring 2022.

Capital funding required

Development of the Western Lands will require significant infrastructure investment. The OPDC's Development Infrastructure Funding Study (2015) estimated that the required infrastructure in Old Oak North could total £1.5 billion.[128] Although the OPDC has argued that "the infrastructure requirement [for the 'Western Lands'] is not quite as heavy as in Old Oak North" and that the new site will depend less on bridges and tunnels being built over canals and railway lines,[129] there is nonetheless likely to be a significant cost. On 14 October 2020, the OPDC conceded that the ultimate figure was likely to be "in the hundreds of millions" but could not give a precise figure.[130]

The Mayor's Spending Review submission published in September 2021 included a request for:

"Government funding of £250 million-£300 million to support the upfront cost of land assembly and infrastructure investment necessary to unlock the next phase of circa 9,000 homes at Old Oak. These figures cover years beyond the Spending Review period. However, an estimated initial investment of £75 million-£100 million will be required during the Spending Review period to 2024-25."[131]

It is not currently clear where the capital funding for the development of the Western Lands will come from – as noted previously, the OPDC does not have any capital plan for 2022-23. The OPDC intends to bid for funding from the £10 billion Single Housing Infrastructure Fund (SHIF), but any funding from central Government is likely to be highly competitive. The Comprehensive Spending Review, published on 27 October 2021, made no specific reference to the SHIF or funding for the OPDC.[132] At the 8

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[124] OPDC Local Plan Examination 2019: Interim findings on viability of CarGiant site proposal
[125] OPDC, Post Submission Modified Draft Local Plan, May 2021
[126] Local Plan Examination Process, London.gov.uk, Western Lands and Local Plan Modifications Update, 13 October 2020, p.12
[127] City Hall, Examination documents: Modifications Hearings
[128] OPDC, Development Infrastructure Funding Study (2015), 4 February 2016
[129] Budget and Performance Committee meeting 14 October 2020, minutes, p.38.
[130] Budget and Performance Committee meeting 14 October 2020, minutes, p.46.
[131] Building back better together: Spending Review submission from the Mayor of London, September 2021, p.20
[132] HM Treasury, Autumn Budget and Spending Review 2021, 27 October 2021 (updated 23 December 2021)

December 2021 Budget and Performance Committee meeting, David Lunts stated that he was "not expecting the Spending Review to say anything specific about Old Oak" and that "the discussions and the work we have been doing with colleagues in Government has proceeded very well this year. It has been one of the big successes."

At the 11 November Plenary meeting, Chief Executive David Lunts stated that the OPDC would "very shortly have a strategic outline business case in front of the Government and Ministers" and that this was a "very substantial document that makes the case for a transfer of land and an injection of capital very clearly. That will be going into the Government certainly before the end of this calendar year."[133]

Recommendation 26: The OPDC should publish its strategic outline business case that it has submitted to Government which sets out the case for Government support.

According to a CEO's decision published in June 2021, the decision to produce a strategic outline case was made as a result of engagement with Government colleagues on potential funding opportunities for the development of the Western Lands strategy. It is expected that the outcome of the proposal is the "endorsement of the [strategic outline case' from key Government departments (DfT, MHCLG and Treasury) to provide "gateway approval" and allow the OPDC to progress funding, land, delivery and procurement plans."[134] At the 8 December 2021 Budget and Performance Committee meeting, David Lunts stated that the business case rested on the assumption that the OPDC had a local plan in place.

Land acquisition

Across Old Oak, approximately 70 per cent of the developable land is currently within public sector ownership. This public sector land has the capacity to accommodate approximately 10,300 homes and 45,900 jobs, of which 4,500 homes and 26,300 jobs could be delivered within the Local Plan period (2018-38). The public sector owns 97 hectares of land that has been agreed, in principle, to be transferred to the OPDC.

This approach was announced as part of the then Chancellor's 2016 Spring Budget; in the same year, the OPDC signed a Memorandum of Understanding with the DfT around the use of its land holdings. Despite this, the OPDC has not secured any land. At the 8 December 2021 Budget and Performance Committee meeting, David Lunts stated that although the memorandum was "still helpful" it was "no longer as valid as it was." He went on to state that the OPDC did not have a view from Government on the principle of a single landholding arrangement but hoped that the strategic outline case could establish this.

Further, by the OPDC's own admission, developing the new site will be "a very difficult project", indeed the "most difficult, challenging project [David Lunts] can recall."[135] The OPDC holds no land and has no

133 London Assembly Plenary, 11 November 2021
134 City Hall, CD161 Savills for Western Lands Strategic Outline Case, June 2021
135 Budget and Performance Committee meeting 14 October 2020, minutes

capital programme to develop it, nor does it have any approved Local Plan to legitimise and progress its project – three things without which the OPDC has itself identified it "cannot move ahead with its major regeneration plans."[136] The piecemeal nature of non-public land ownership on the new site will be a particular challenge to the OPDC.

It is hoped that the strategic business case being submitted to the Government will bolster the project; at the 11 November Plenary meeting, Chief Executive David Lunts stated:

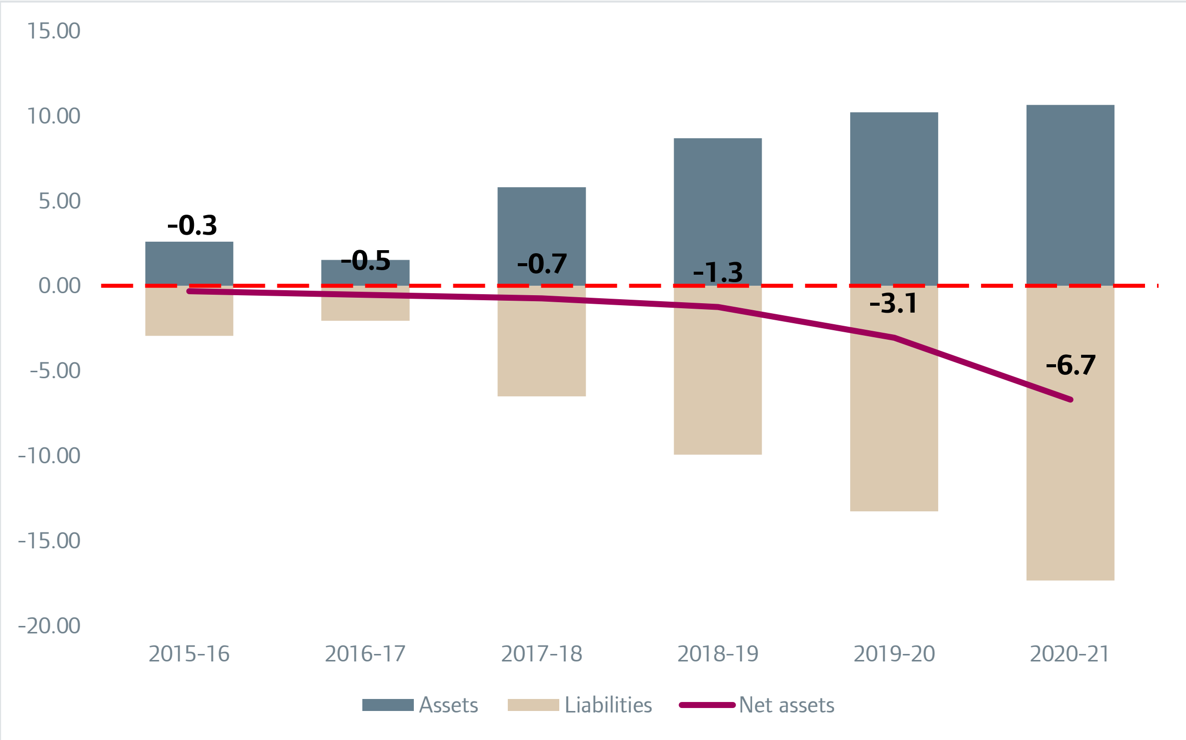
"What I can say is that the clock is ticking on this project – let us be honest – and if we do not secure a strategic-level deal around land and infrastructure certainly in the next year or so, then serious questions have to be asked about [whether] the real potential of the project can be delivered."[137]

Recommendation 27: The OPDC must work with Network Rail and the Department for Transport to prioritise the agreement for the transfer of public sector land holdings in 2022-23 and report progress to this Committee in its quarterly performance reports.

To date, the OPDC has little to show for the £39 million that the Mayor has invested in it, and as **Figure 16** shows, its liabilities have always been larger than its assets, with net liabilities steadily increasing. Nonetheless, the scale of its potential still remains significant: 25,500 new homes and 65,000 new jobs if the OPDC can deliver its new vision, but it is at an early stage of development with many challenges to overcome.

[136] Budget and Performance Committee meeting 14 October 2020, minutes
[137] London Assembly Plenary, 11 November 2021

Figure 16: OPDC net liabilities over time (£m)



Source: *[OPDC Annual Reports and Accounts, 2015-2016 to 2020-21](#)*

Appendix 1

The Mayor's 2022-23 Consultation Budget

Total gross revenue and capital expenditure	**Forecast Outturn 2021-22 £m**	**Budget 2022-23 £m**	**Change £m**	**Change %**
Revenue:				
GLA: Mayor services	846.7	756.7	-90.0	-11%
GLA: Mayor group items	2,084.5	1,277.9	-806.6	-39%
GLA: Assembly	8.3	8.0	-0.3	-4%
MOPAC	4,049.5	4,235.7	186.2	5%
LFC	500.4	505.3	5.0	1%
TfL	7,561.8	8,104.5	542.5	7%
LLDC	65.5	61.5	-4.0	-6%
OPDC	6.7	7.5	0.8	12%
Total revenue	**15,123.4**	**14,957.1**	**-166.4**	**-1%**
Capital:				
GLA: Mayor	1,835.7	1,644.8	-190.9	-10%
MOPAC	271.8	450.4	178.6	66%
LFC	35.8	34.0	-1.8	-5%
TfL	2,184.0	1,774.9	-409.1	-19%
LLDC	242.9	245.7	2.8	1%
OPDC	0.0	0.0	0.0	n/a
Total capital	**4,570.2**	**4,149.8**	**-420.4**	**-9%**
Grand total revenue and capital	**19,693.7**	**19,106.9**	**-586.8**	**-3%**

Note: The above items reflect the statutory revenue and capital spending plan allocations for each body. Consequently, expenditure involving transfers between functional bodies (e.g. GLA contributions to TfL for Crossrail or to the LLDC for the East Bank project) will appear in both lines.

Other formats and languages

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Chinese

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Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো   করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

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