AGENDA

Meeting	**London Assembly (Plenary)**
Date	**Wednesday 27 January 2021**
Time	**10.00 am**
Place	**Virtual Meeting**

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www.london.gov.uk/mayor-assembly/london-assembly/webcasts where you can also view past meetings.

A meeting of the Assembly will be held to deal with the business listed below.

Navin Shah AM
Chair of the London Assembly

Tony Arbour AM
Deputy Chairman
Tuesday 19 January 2021

[Note: This meeting has been called in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. These regulations permit formal London Assembly meetings to be held on a virtual basis, with Assembly Members participating remotely, subject to certain conditions. The regulations apply notwithstanding any other legislation, current or pre-existing Standing Orders or any other rules of the Authority governing Assembly meetings, and remain valid until 7 May 2021. The meeting will be broadcast live via the web-link set out above. The regulations may be viewed here.]

Further Information
If you have questions, would like further information about the meeting or require special facilities please contact: Davena Toyinbo, Principal Committee Manager; Telephone: 0208 039 1285; Email: davena.toyinbo@london.gov.uk

For media enquiries please contact Aoife Nolan, External Communications Officer; Telephone: 020 7983 4067; Email: aoife.nolan@london.gov.uk. If you have any questions about individual items please contact the author whose details are at the end of the report.

Proper Officer: Ed Williams, Executive Director of Secretariat.

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Certificate Number: FS 80233

Agenda
London Assembly (Plenary)
Wednesday 27 January 2021

1 Apologies for Absence and Chair's Announcements

To receive any apologies for absence and any announcements from the Chair.

2 Declarations of Interests (Pages 1 - 4)

Report of the Executive Director of Secretariat
Contact: Davena Toyinbo; davena.toyinbo@london.gov.uk; 020 8039 1285

The Assembly is recommended to:

(a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;

(b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and

(c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).

3 Draft Consolidated Budget 2021-22

a **Report of the Mayor** (Pages 5 - 158)

The draft Consolidated Budget 2021-22 has been circulated for the Assembly's consideration.

The Mayor will present his report to the Assembly at the meeting.

b **Response by the London Assembly's Budget and Performance Committee to the Mayor of London's GLA Group Budget Proposals and Precepts 2021-22 Consultation Document** (Pages 159 - 228)

The document sets out the London Assembly's Budget and Performance Committee's response to the Mayor's budget proposals for 2021-2022, 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 15 December 2020 and not on the draft Consolidated Budget published with this agenda.

c **Questions to the Mayor on his Draft 2021-22 Consolidated Budget Proposals**

Assembly Members will put questions to the Mayor on the seven sections of the draft Consolidated Budget document.

4 Consideration by the London Assembly of the Mayor of London's Draft Consolidated Budget Proposals 2021-22

The Assembly is under a duty to consider the Mayor's draft Consolidated Budget and to approve it, with or without amendment (paragraph 5(3) of Schedule 6 of the GLA Act 1999 (as amended)).

The following substantive motion is before the Assembly:

"To approve the draft Consolidated Budget for 2021-22, together with the draft component budgets comprised within it, with or without amendment."

[Note: In accordance with GLA Standing Order 6.12B, the motion set out shall be considered without being proposed or seconded by a Member. The motion may be amended by a Budget Amendment, in accordance with the procedures described in Standing Orders 6.10, 6.12, and 6.16. The Assembly will consider amendments to the Draft Consolidated Budget, and any budget – related motions (if any).

If a Budget Amendment is carried by the requisite majority (at this stage, a simple majority of votes cast) then the substantive motion shall fall and the draft Consolidated Budget shall be deemed agreed as amended. The Mayor is under a duty to respond to any amendments passed when he presents his Final Budget.

This is the first of a two stage budget-setting process and the Assembly is due to make a final decision on the budget at the London Assembly (Mayor's Question Time) meeting on Thursday 25 February 2021.]

5 Date of Next Meeting

The next scheduled meeting of the London Assembly will be the Plenary meeting which will take place virtually at 10.00am on Thursday 4 February 2021.

6 Any Other Business the Chair Considers Urgent

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GREATER**LONDON**AUTHORITY **LONDON**ASSEMBLY

Subject: Declarations of Interests	
Report to: London Assembly (Plenary)	
Report of: Executive Director of Secretariat	**Date: 27 January 2021**
This report will be considered in public	

1. Summary

1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

2. Recommendations

2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests[1];**

2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**

2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

[1] The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

Member	Interest
Tony Arbour AM	
Jennette Arnold OBE AM	
Gareth Bacon AM MP	Member of Parliament, Orpington; Member, LB Bexley
Shaun Bailey AM	
Siân Berry AM	Member, LB Camden
Andrew Boff AM	Congress of Local and Regional Authorities (Council of Europe)
Léonie Cooper AM	Member, LB Wandsworth
Unmesh Desai AM	
Tony Devenish AM	Member, City of Westminster
Andrew Dismore AM	
Len Duvall AM	
Florence Eshalomi AM MP	Member of Parliament, Vauxhall
Nicky Gavron AM	
Susan Hall AM	Member, LB Harrow
David Kurten AM	
Joanne McCartney AM	Deputy Mayor
Dr Alison Moore AM	Member, LB Barnet
Steve O'Connell AM	Member, LB Croydon
Caroline Pidgeon MBE AM	
Keith Prince AM	
Murad Qureshi AM	
Caroline Russell AM	Member, LB Islington
Dr Onkar Sahota AM	
Navin Shah AM	
Peter Whittle AM	

[Note: LB - London Borough]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at

  (i) a meeting of the Assembly and any of its committees or sub-committees; or

  (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions

- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.

3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.

3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.

3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £50 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.

3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here: https://www.london.gov.uk/mayor-assembly/gifts-and-hospitality.

3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £50, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.

3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

4.1 The legal implications are as set out in the body of this report.

5. Financial Implications

5.1 There are no financial implications arising directly from this report.

Local Government (Access to Information) Act 1985	
List of Background Papers: None	
Contact Officer:	Davena Toyinbo, Principal Committee Manager
Telephone:	020 8039 1285
E-mail:	davena.toyinbo@london.gov.uk

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

PART 1

Summary

This report presents the Mayor's Draft Budget proposals for the Greater London Authority (GLA) and its functional bodies for the next financial year.

1 Introduction

1.1 Part 1 of the Mayor's Draft Consolidated Budget sets out the Mayor's approach to budget decision making, his decisions in regard to council tax and his budget proposals for each of the functional bodies. It is important to note that, at the time of publication, the Government had not yet announced the final local government and police finance settlements for 2021-22 and their associated final council tax referendum principles for the GLA for 2021-22 (which require House of Commons approval). The GLA is also awaiting the taxbase forecasts from the 33 London billing authorities for business rates and council tax income for 2021-22 alongside their estimated outturn data for 2020-21. Formal responses from stakeholders to the consultation budget have been considered in the preparation of this draft budget. Any further responses received and the response from the Assembly's Budget and Performance Committee, will be taken into account in the final draft consolidated budget, published in February.

2 Consultation process and responses

2.1 In addition to consulting the Assembly and the functional bodies, in preparing his draft budget the Mayor may consult others as appear to him appropriate. The Mayor issued draft component budget proposals to each constituent body[1] for consultation and they were invited to respond. The budget consultation paper, issued on 16 December 2020, has been widely circulated to each constituent body, the leaders (or elected mayors) and chief finance officers of London borough councils and the Common Council of the City of London, London Councils and a range of business representative organisations and business improvement districts. It was also placed on the Greater London Authority website, enabling members of the public to submit comments. A summary of initial responses received will be made available to Assembly Members. A separate budget engagement process is also being undertaken through Talk London and the results will be reported in the final draft consolidated budget.

[1] These are the GLA – Mayor and Assembly – and the five functional bodies: the London Fire Commissioner (LFC), the Mayor's Office for Policing & Crime (MOPAC), the London Legacy Development Corporation (LLDC), the Old Oak & Park Royal Development Corporation (OPDC) and Transport for London (TfL).

3 The Mayor's approach to decision making

3.1 The Mayor has a number of statutory functions that must be fulfilled on behalf of Londoners and reflected in a financially balanced budget. He has a duty to create strategies for the capital covering: arts, culture and sport; business and economy; environment; fire; health and health inequalities; housing; planning; policing and crime; and transport.

3.2 The Mayor also has a number of discretionary functions, in particular a general power to do anything to further the principal purposes of the Authority, i.e. promoting economic development and wealth creation, social development and the improvement of the environment in Greater London. In the exercise of his functions, the Mayor also has to have due regard to his obligations under the public sector equality duty under the Equality Act 2010, including the need to eliminate discrimination, harassment and victimisation, and to promote equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, sex, disability, age, sexual orientation, religion or belief, gender reassignment, pregnancy or maternity), and those who do not.

3.3 To help fulfil these functions and responsibilities, but subject to the information available on future funding arrangements and revenues from key income sources, the budget development process is a key element of the planning framework and has an important purpose of ensuring there are sound medium term financial plans within which all Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will exist which are arguably more pronounced for this budget than in any year since the Greater London Authority and Mayoralty was created. This means ensuring that the estimates of income and expenditure (including appropriate consideration of the effects of inflation), Government funding, retained business rates and council tax are soundly based, with appropriate and sufficient reserves, paying due regard to professional and statutory guidance. This is reinforced by the Local Government Act 2003 which requires the Authority’s Chief Finance Officer to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves.

3.4 A primary aim of the budget process is to provide a financially balanced budget, as a basis for an efficient and effective use of available resources. The aim is to secure a fair and reasonable balance between the discharge of obligatory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost. This Budget is set in the context of significant additional expenditure pressures and reduced income from fares, council tax and business rates arising from the COVID-19 pandemic.

3.5 This approach and the impact of the pandemic was reflected in the Mayor’s guidance for the preparation of budget submissions for 2021-22 and future plans, issued to the GLA Group in June 2020. It has also been supplemented through a series of meetings with the functional bodies and GLA officers to ensure the guidance remains valid and responsive to emerging needs and changing circumstances. The functional bodies and the Assembly's Budget and Performance Committee have also played a major role in the preparation and scrutiny of budget proposals.

4 Budget proposals

4.1 Revenue budget proposals and funding for each “constituent body” (the Mayor, Assembly and five functional bodies) within the GLA Group are presented in organisational terms in Sections 2 to 8 of Part 2. The GLA (Mayor and Assembly constituent) proposals are shown first and the remainder are presented in order of magnitude of their council tax requirement. Section 9 of Part 2 sets out the proposed Capital Strategy for the GLA Group, including the statutory draft capital spending plan. The individual capital spending plans, capital financing budgets and borrowing limits as well as the revenue budgets at subjective level (excluding in the latter case those for the GLA: Mayor and Assembly component budget) are set out in Appendices A to F of Part 2. Appendix G of Part 2 provides a summary of the Group’s savings and collaboration activities, Appendices H and I of Part 2 address the medium-term financial outlook for the GLA Group and funding assumptions underpinning the budget proposals.

4.2 This Budget however is being prepared against the backdrop of what has been one of the most challenging year’s in living memory for the capital. Over ten thousand Londoners have died as a result of COVID-19 and thousands more have lost their jobs. Countless businesses have gone under or are on the brink, and everyone’s lives have been put on hold. The urgent work of responding to the pandemic has consumed much of the efforts and resources of the Mayoral bodies throughout the year.

4.3 All proposals are subject to change in the final draft budget, given the uncertainty as to impact of the taxbase forecasts from the 33 London billing authorities (the 32 London boroughs plus the City of London Corporation) for business rates and council tax income for 2021-22 and their estimated outturn data for 2020-21.

GLA: Mayor of London

4.4 The Mayoral component budget for the GLA for 2021-22 sets out how the Mayor will continue to deliver on the plans and priorities developed over the last four and a half years since he took office and also how he will respond to the significant challenges now faced as London recovers from the economic, social, health and equality impacts of the COVID-19 pandemic.

4.5 The GLA has focused its budget on London’s recovery, including the nine Recovery Missions developed through the London Recovery Board to help London’s recovery from the COVID-19 pandemic and its economic, health and social impacts:

- A Green New Deal – To tackle the climate and ecological emergencies and improve air quality by doubling the size of London's green economy by 2030 to accelerate job creation for all;
- A Robust Safety Net – By 2025, every Londoner is able to access the support they need to prevent financial hardship;
- High Streets for All – To deliver enhanced public spaces and exciting new uses for underused high street buildings in every borough by 2025, working with London’s diverse communities;
- A New Deal for Young People – By 2024 all young people in need are entitled to a personal mentor and all young Londoners have access to quality local youth activities;
- Helping Londoners into Good Work – To support Londoners into good jobs with a focus on sectors key to London’s recovery;

- Mental Health and Wellbeing – By 2025 London will have a quarter of a million wellbeing ambassadors, supporting Londoners where they live, work and play;
- Digital Access for All – Every Londoner to have access to good connectivity, basic digital skills and the device or support they need to be online by 2025;
- Healthy Food, Healthy Weight – By 2025 every Londoner lives in a healthy food neighbourhood; and
- Building Strong Communities – By 2025, all Londoners will have access to a community hub ensuring they can volunteer, get support and build strong community networks.

4.6 In addition, the GLA budget also directs investment into Recovery Foundations that underpin the GLA's contribution to London's recovery. These include the Mayor's continued works to lay the foundations to address London's housing crisis, with funding. The GLA is on track to achieve 116,000 affordable homes starts within London by 2023 with and an additional 35,000 affordable homes starts by 2026.

GLA: London Assembly

4.7 The component budget for the Assembly reflects its proposed staffing establishment, approved levels of Member and group support, and approved policies. The Assembly's gross expenditure in 2021-22 is £7.3 million and its financing requirement is £7.0 million. The Assembly's council tax requirement – net of its increased share of retained business rates - is £2.50 million.

Mayor's Office for Policing and Crime (MOPAC)

4.8 The component budget for the Mayor's Office for Policing and Crime includes the functions of the Metropolitan Police Service (MPS). The Mayor's Police and Crime Plan - A Safer City for all Londoners, sets out five top priorities:

- a better police service in London;
- a better criminal justice service for London;
- keeping children and young people safe;
- tackling violence against women and girls; and
- standing together against hatred, extremism and intolerance.

4.9 The Police and Crime Plan was due to be refreshed this year, following the Mayoral elections scheduled for May 2020. However, the Government took the decision to postpone the elections by a year as a result of the COVID-19 pandemic and therefore the existing Police and Crime Plan 2017-21 will remain in force for an additional year.

4.10 The Mayor has established the Violence Reduction Unit (VRU), to tackle violent crime and its underlying causes. He is awaiting formal confirmation from the Home Office of funding for the VRU next year without which the unit's budget would decrease from £19.7 to £12.1 million as set out in the MOPAC budget in Part 2.

4.11 The Mayor published his Action Plan in November 2020 to improve trust and confidence in the MPS and to address community concerns about disproportionality in the use of certain police powers affecting Black Londoners. The Mayor has committed, as part of the action plan, to invest £1.7 million to develop greater community involvement in police officer training and in the recruitment and progression of Black officers in the MPS.

4.12 The Mayor continues to call upon the Government to ensure that MOPAC has the funding needed to keep London safe. The Government announced in 2019 that it will provide funding to increase the number of officers across England and Wales by 20,000 and provided initial officer recruitment targets for each police force area in 2020-21 for the first tranche of 6,000 officers. The MPS' share of this initial total was a target of 1,369 additional officers. In the 2021-22 provisional police settlement the Government announced a recruitment allocation target of 1,344 officers for the Metropolitan Police from the second tranche of 6,000 officers nationally. Whilst the Government has not announced targets for the remaining 8,000 officers the Commissioner of Police recommends that London should be allocated 6,000 officers over three years, a view that is supported by the Mayor. This would mean that the MPS should receive 3,287 officers from the remaining 8,000 allocation.

4.13 More than three quarters of the funding for policing in London is controlled by the Government. The impact of the provisional police settlement announced on 17 December is set out in Part 2. The uncertainty associated with police funding has meant it is necessary to make a series of assumptions in this budget, which is based on the Commissioner's 6,000 officer target. The budget assumes sufficient funding to enable a balanced position in 2021-22; however, given the lack of information on funding levels, the costs of the additional officers are shown in later years without any offsetting funding, leading to a significant budget gap in those years.

4.14 The Mayor is proposing a £15 increase in the Band D police element of his precept in 2021-22. This is in line with the target set out by the Home Office in the police settlement. The Mayor considers this increase is necessary in order to ensure that the Metropolitan Police is adequately funded in 2021-22 in light of the grant levels made available by the Home Office.

London Fire Commissioner (LFC)

4.15 The London Fire Commissioner (LFC) is responsible for fire and rescue services in London and supporting the London boroughs in their emergency planning role through the London Fire Brigade (LFB).

4.16 LFC's Integrated Risk Management Plan (IRMP), known as the London Safety Plan, sets out how LFC will contribute to making London the safest global city. In summary, the Plan's key priorities are to:

- use resources in a flexible and efficient way, arriving at incidents as quickly as the LFB can; and
- develop and train staff to their full potential, at the same time transforming the LFB to ensure it is an employer of choice and that staff have the opportunity to influence how the Brigade works.

4.17 The publication of the Grenfell Tower Inquiry stage 1 report in October 2019 and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service's (HMICFRS) inspection in December 2019, set out a number of recommendations requiring urgent action from the LFC. In January 2020 the Commissioner published his Transformation Delivery Plan, setting out the strategy and priorities for the LFB. A Transformation Director has been appointed and a new Transformation Directorate created. The ongoing transformation of the Brigade will be a key element of the next IRMP.

4.18 Following the Grenfell Tower fire, the Mayor provided additional funding to the LFC. This additional funding has supported the purchase of new smoke hoods, drones, better personal protective equipment and new aerial appliances. The LFC budget continues to reflect the need to ensure sustainability for the fire and rescue service in the longer term.

4.19 Accordingly, the Mayor is proposing to increase the fire element of his precept by £1.59 in 2021-22 – equivalent to the monetary impact of a 1.99 per cent increase on the 2020-21 non police precept – which is the referendum principles limit for equivalent fire and rescue authorities in England.

4.20 Given the ongoing impact of the Government's cuts and the additional resources required arising from the Grenfell Tower fire and terrorist incidents, the LFC faces a potential budget shortfall of £8.3 million in 2022-23. The Mayor will continue to press the Home Secretary to increase resources allocated to the LFC as part of the multi-year Spending Review expected in 2021.

Transport for London (TfL)

4.21 Transport for London (TfL) is responsible for the planning, delivery and day to day operation of the capital's public transport system and is committed to creating a fairer, greener, healthier and more prosperous city. TfL is implementing organisational change and efficiency initiatives across the whole organisation, including structural integration programmes and has already created a single Business Services function to streamline common processes.

4.22 TfL faces very tough financial challenges due to the impact of the pandemic on fare revenues, the delay to Crossrail and the absence of any funding from the Government to maintain London's strategic roads network. The Mayor and TfL have negotiated two extraordinary funding deals with the Department for Transport (DfT) and further negotiations are continuing to agree a long term funding deal. On 15 January TfL published its Financial Sustainability Plan submission which has been sent to the Secretary of State for Transport as required under the second funding agreement. The Secretary of State has acknowledged that a further funding agreement must be in place before 22 March.

4.23 The Mayor's Budget for TfL will enable it to continue delivery of ambitious plans to make London a cleaner, safer, healthier city through investment to improve London's streets and create better and more accessible public transport, including:

- capital investment of including renewals, line upgrades and contributions to Crossrail, including Elizabeth line trains and enabling works £2.8 billion. A funding deal to provide a further £825 million to complete the Crossrail project was concluded with the GLA and Department for Transport in November 2020;

- continuing to optimise the bus network in response to changing demand, and TfL and partner authorities' plans for other modes;
- helping to clean up London's toxic air quality by toughening the Low Emission Zone (LEZ) standards for heavy vehicles in March 2021 and, in October 2021, expanding the ULEZ - the toughest air quality standard of any city in the world - to cover all roads within the North and South Circular roads;
- investment to improve the experience and safety of places where people live, work, go to school, spend time and travel;
- continuing the electrification of London buses, already the largest electric fleet in Europe, to ensure all buses are zero-emission by 2037 at the latest; and
- maintaining borough funding for the Local Implementation Plan (LIP) at the same level as agreed in last year's plan, however any future schemes are dependent on TfL's ability to secure a sustainable funding solution.

4.24 The Mayor is proposing to increase the TfL element of his precept by £15 (Band D), compared to the consultation budget, to maintain free bus and tram travel for under 18s and continue the 60+ Oyster photocard. The £15 precept increase is expected to raise over £43 million in 2021-22 to help fund these schemes.

London Legacy Development Corporation (LLDC)

4.25 The London Legacy Development Corporation is driving the legacy of the London Olympic and Paralympic Games to transform the lives of east Londoners. Queen Elizabeth Olympic Park (QEOP) is at the heart of a dynamic new east London the Mayor is creating, where this once in a lifetime opportunity is generating opportunities for local people and driving innovation and growth across the city and the UK.

4.26 The creation of East Bank, an 'arts, cultural and educational district' on the QEOP site is central to the Mayor's vision. This will add 1.5 million visitors to the Olympic Park and surrounding area, more than 2,500 jobs, over 10,000 students coming to the Park, generate £1.5 billion for the local economy and create 600 new homes at Stratford Waterfront.

4.27 There has been an increase of almost £115 million to £628 million in total in the estimated cost, including risk provisions, of East Bank. Over half (£63 million) of this is due to the estimated impact of COVID-19 on the project, both owing to the first lockdown and the subsequent COVID-secure restrictions on site and prolongation of the programme. The remainder is due to higher than anticipated tender prices and design challenges. The GLA's capital reserve for LLDC has been increased by £88 million (for East Bank and other LLDC capital pressures and opportunities). As financial partners in this scheme and because there are unfunded risks on the programme, a bid has been made for a financial contribution from the Government, the outcome of which is still unknown.

Old Oak and Park Royal Development Corporation (OPDC)

4.28 The OPDC is responsible for delivering the strategic regeneration opportunity provided by 134 hectares of brownfield land close to central London, creating an exemplar sustainable and inclusive community. The new Old Oak Common station will be the UK's largest ever sub-surface station and will be the largest station to be built in the country in a century. The OPDC budget has been prepared in the context of OPDC moving towards a new delivery strategy, including a new focus on the regeneration of the 'Western Lands' along Old Oak Common Lane, Old Oak Lane and Victoria Road where key sites are owned by the Department for Transport and Network Rail.

Future years

4.29 The Mayor has issued further details of the prospects for the GLA Group for future years (Appendices H and I of Part 2 the budget). It is important to recognise the caveats and limitations set out in this analysis.

5 The impact on local taxpayers and council tax referendum issues

5.1 In determining the proposed spending plans across the GLA Group, where the statutory gross capital and revenue expenditure for 2021-22 will exceed £19.3 billion, the key priorities have been to help ensure Londoners' safety by increasing the police and non-police elements of the GLA's council tax precept to provide additional funding for policing and fire and rescue services, to deliver a sustainable budget for TfL while protecting key travel concessions for under 18s and all Londoners aged 60+ and set out how the GLA Group collectively will respond to the challenges faced by the capital, its residents and businesses following the COVID-19 pandemic.

5.2 The Mayor's budget requires a Band D council tax of £363.66 for 2021-22 in the 32 London boroughs within the Metropolitan Police District - £31.59 per annum or £2.63 per month higher than in 2020-21. Of this increase, £15 will be applied for policing, £15 to fund concessionary travel for Londoners aged under 18 and to maintain the 60+ Oyster photocard and £1.59 for the fire and rescue service. The resulting non-police precept paid by council taxpayers in the area of the Common Council of the City of London will be £96.53. These Band D amounts are estimated to generate a total of £1,044.7 million in council tax revenues across London, based on assumed council taxbase forecasts. This estimate will be revised in the Mayor's final draft budget once all 33 London billing authorities have confirmed their actual council taxbases for 2021-22 at the end of January 2021.

5.3 Details of the provisions for the holding of council tax referendums are set out in Part 3. The draft excessiveness principles for 2021-22 published by the Government on 17 December 2020 (https://www.gov.uk/government/publications/draft-council-tax-reports-2021-to-2022) state that that an increase of 2 per cent or more (equivalent to a maximum of £1.59) in the unadjusted basic amount (i.e. the non-police precept payable by taxpayers in the City of London) and/or an increase of more than £16.59 in the adjusted precept including a £15 element for policing is to be deemed "excessive" and would therefore require a referendum to be held. The Mayor has written to the Secretary of State for Transport requesting that both the unadjusted and adjusted council tax limits be increased by £15 in equivalent monetary terms in order to maintain existing travel concessions for the under 18s and all Londoners aged 60 and over. It is assumed therefore in this draft budget, that the Government will, as part of the final local government finance settlement, announce modified referendum principles for the GLA (both for the adjusted and unadjusted basic amount) that are consistent with the proposed increases set out in paragraph 5.2 above. Any final principles proposed by the Secretary of State for Housing, Communities and Local Government will be subject to formal approval through a vote in the House of Commons next month.

5.4 The Mayor will make a formal determination regarding his final proposals' potential excessiveness once both principles are announced for the GLA, and this will be set out in his final draft budget proposals. It is expected that the final council tax referendum principles for 2021-22 will have been confirmed by the House of Commons prior to the date of the Assembly's final budget meeting, on 25 February 2021.

6 Recommendations concerning the draft consolidated council tax requirement

6.1 The Mayor is required to determine consolidated and component council tax requirements for 2021-22 and it is these that the Assembly has the power to amend. The individual Mayor, Assembly and functional body council tax requirements are aggregated to form the consolidated council tax requirement for the GLA Group. This requirement forms the GLA Group precept which is part of the council tax bill for households across Greater London collected by the 33 "billing authorities" (the 32 boroughs and City of London Corporation).

6.2 In considering the Mayor's budget proposals and any amendments they wish to make at this stage, Assembly Members must also consider the need to secure a financially balanced budget and achieve a balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost.

6.3 In commending the budget proposals to the Assembly, the Mayor believes that Londoners recognise and support his plans to increase the non-police and police elements of council tax to the assumed permitted maximum, without triggering a referendum, to help increase police officer numbers, protect concessionary travel for Londoners aged under 18 and all those aged 60+ and continue to provide the fire service with the resources it needs, in order to protect Londoners.

6.4 The Mayor is satisfied that he has weighed respective interests fairly and that his increase in the council tax will help the front-line service delivery of his statutory and discretionary responsibilities. The Mayor believes that the proposals will make a significant contribution towards keeping Londoners safe, improving Londoners' quality of life and supporting London's economy.

6.5 On the basis of the information set out in this statement and accompanying documents, it is recommended that the Assembly approves, without amendment, the Mayor's Draft Consolidated budget and the consolidated council tax requirement for the GLA (Mayor and Assembly) and the functional bodies (GLA Group) of £1,044,687,210 as contained in Annex A.

6.6 The council tax requirement is after applying the GLA's share of the estimated net surplus or deficit for council tax on the collection funds of the 33 billing authorities as at 31 March 2021. This is forecast at this stage to be a deficit of £70 million. This figure is gross of the revenues from the Government's compensation scheme covering 75 per cent of budgeted council tax losses for 2020-21 which are deemed 'irrecoverable' as these cannot be predicted at this stage with certainty. The estimated council tax collection fund surpluses for 2020-21 will be confirmed by the 33 London billing authorities at the end of January and this £70 million figure will be updated to reflect these returns and the assessment of the impact of the 75 per cent irrecoverable losses compensation scheme in the final draft budget.

6.7 The Mayor's draft consolidated council tax requirement is comprised as follows (subject to rounding to the nearest pound):

Constituent body	**Component council tax requirement**
Mayor of London	£62,460,226
London Assembly	£2,504,166
Mayor's Office for Policing and Crime	£766,839,945
London Fire Commissioner	£163,691,846
Transport for London	£49,191,026
London Legacy Development Corporation	£NIL
Old Oak and Park Royal Development Corporation	£NIL
Total Consolidated Council Tax Requirement	**£1,044,687,210**

Annex A

Draft consolidated component and consolidated council tax requirements 2021-22

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

Line	Sum	Description
1	£1,668,149,226	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
2	£0	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
3	£0	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
4	£0	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act reflecting the collection fund deficit for retained business rates
5	**£1,668,149,226**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Mayor (lines (1) + (2) + (3) + (4) above)
6	-£246,800,000	estimate of the Mayor's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
7	-£345,200,000	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
8	-£25,000,000	estimate of the Mayor's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
9	-£895,289,000	estimate of the Mayor's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
10	£0	estimate of the Mayor's share of any net collection fund surplus for the 33 London billing authorities for council tax calculated in accordance with s85(5)(a) of the GLA Act
11	**-£1,512,289,000**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (6) + (7) + (8) + (9) + (10))
12	-£93,400,000	estimate of Mayor's reserves to be used in meeting amounts in line 5 above under s85(5)(b) of the GLA Act
13	**-£1,605,689,000**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Mayor (lines (11) + (12) above)
14	**£62,460,226**	the component council tax requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (13) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the Mayor for 2021-22 is £62,460,226

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

Line	Sum	Description
15	£7,004,166	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the GLA Act
16	£0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the GLA Act
17	£0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the GLA Act
18	£0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the GLA Act
19	**£7,004,166**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Assembly (lines (15) + (16) + (17) + (18) above)
20	£0	estimate of the Assembly's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
21	£0	estimate of the Assembly's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
22	£0	estimate of the Assembly's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
23	-£4,500,000	estimate of the Assembly's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
24	£0	estimate of the Assembly's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
25	**-£4,500,000**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (line (20) + (21) + (22) + (23) + (24))
26	£0	estimate of Assembly's reserves to be used in meeting amounts in lines 19 above under s85(5)(b) of the GLA Act
27	**-£4,500,000**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Assembly (lines (25) + (26) above)
28	**£2,504,166**	the component council tax requirement for the Assembly (being the amount by which the aggregate at (19) above exceeds the aggregate at (27) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the Assembly for 2021-22 is £2,504,166

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

Line	Sum	Description
29	£3,989,763,087	estimated expenditure of the MOPAC calculated in accordance with s85(4)(a) of the GLA Act
30	£0	estimated allowance for contingencies for the MOPAC under s85(4)(b) of the GLA Act
31	£0	estimated reserves to be raised for meeting future expenditure of the MOPAC under s85(4)(c) of the GLA Act
32	£0	estimate of reserves to meet a revenue account deficit of the MOPAC under s85(4)(d) of the GLA Act
33	**£4,989,763,087**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the MOPAC (lines (29) + (30) +(31) + (32) above)
34	-£290,200,000	estimate of the MOPAC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
35	-£583,100,000	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
36	-£2,181,300,000	estimate of the MOPAC's income in respect of general government grants (revenue support grant, core Home Office police grant and principal police formula grant) calculated in accordance with s85(5)(a) of the GLA Act
37	-£27,923,142	estimate of the MOPAC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
38	£0	estimate of MOPAC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
39	**-£3,082,523,142**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (34) + (35) + (36) + (37) +(38))
40	-£140,400,000	estimate of MOPAC's reserves to be used in meeting amounts in line 33 above under s85(5)(b) of the GLA Act
41	**-£3,222,923,142**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the MOPAC (lines (39) + (40) above)
42	**£766,839,945**	the component council tax requirement for MOPAC (being the amount by which the aggregate at (33) above exceeds the aggregate at (41) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the MOPAC for 2021-22 is £766,839,945

London Fire Commissioner ("LFC") draft component budget

Line	Sum	Description
43	£489,300,000	estimated expenditure of LFC for the year calculated in accordance with s85(4)(a) of the GLA Act
44	£0	estimated allowance for contingencies for LFC under s85(4)(b) of the GLA Act
45	£0	estimated reserves to be raised for meeting future expenditure of LFC under s85(4)(c) of the GLA Act
46	£0	estimate of reserves to meet a revenue account deficit of LFC under s85(4)(d) of the GLA Act
47	**£489,300,000**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LFC (lines (43) + (44) + (45) + (46) above)
48	-£41,200,000	estimate of LFC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
49	-£33,300,000	estimate of LFC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
50	£0	estimate of LFC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
51	-£228,108,154	estimate of LFC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
52	£0	estimate of LFC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
53	**-£302,608,154**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (48) + (49) + (50) + (51) + (52))
54	-£23,000,000	estimate of LFC's reserves to be used in meeting amounts in line 47 above under s85(5)(b) of the GLA Act
55	**-£325,608,154**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFC (lines (53) + (54) above)
56	**£163,691,846**	the component council tax requirement for LFC (being the amount by which the aggregate at (47) above exceeds the aggregate at (55) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for LFC for 2021-22 is £163,691,846

Transport for London ("TfL") draft component budget

Line	Sum	Description
57	£7,525,791,026	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the GLA Act
58	£0	estimated allowance for contingencies for TfL under s85(4)(b) of the GLA Act
59	£875,100,000	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the GLA Act
60	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the GLA Act
61	**£8,400,891,026**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the TfL (lines (57) + (58) + (59) + (60) above)
62	-£4,542,200,000	estimate of TfL's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
63	-£3,035,800,000	estimate of TfL's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
64	£0	estimate of TfL's income in respect of general government grants (revenue support grant and GLA Transport General Grant) calculated in accordance with s85(5)(a) of the GLA Act
65	-£773,700,000	estimate of TfL's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
66	£0	estimate of TfL's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
67	**-£8,351,700,000**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act for TfL (lines (62) + (63) + (64) + (65) + (66) above)
68	£0	estimate of TfL's reserves to be used in meeting amounts in line 61 above under s85(5) (b) of the GLA Act
69	**-£8,351,700,000**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act (lines (67) + (68))
70	**£49,191,026**	the component council tax requirement for TfL (being the amount by which the aggregate at (61) above exceeds the aggregate at (69) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for TfL for 2021-22 is £49,191,026

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

Line	Sum	Description
71	£58,800,000	estimated expenditure of LLDC for the year calculated in accordance with s85(4)(a) of the GLA Act
72	£0	estimated allowance for contingencies for LLDC under s85(4)(b) of the GLA Act
73	£0	estimated reserves to be raised for meeting future expenditure of LLDC under s85(4)(c) of the GLA Act
74	£0	estimate of reserves to meet a revenue account deficit of LLDC under s85(4)(d) of the GLA Act
75	**£58,800,000**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LLDC (lines (71) + (72) + (73) + (74) above)
76	-£32,000,000	estimate of LLDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
77	£0	estimate of LLDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
78	£0	estimate of LLDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
79	-£26,800,000	estimate of LLDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
80	£0	estimate of LLDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
81	**-£58,800,000**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (76) + (77) + (78) + (79) + (80))
82	£0	estimate of LLDC's reserves to be used in meeting amounts in line 75 above under s85(5)(b) of the GLA Act
83	**-£58,800,000**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LLDC (lines (81) + (82) above)
84	**£0.00**	the component council tax requirement for LLDC (being the amount by which the aggregate at (75) above exceeds the aggregate at (83) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the LLDC for 2021-22 is £0 (£NIL)

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

Line	Sum	Description
85	£6,500,000	estimated expenditure of OPDC for the year calculated in accordance with s85(4)(a) of the GLA Act
86	£0	estimated allowance for contingencies for OPDC under s85(4)(b) of the GLA Act
87	£0	estimated reserves to be raised for meeting future expenditure of OPDC under s85(4)(c) of the GLA Act
88	£0	estimate of reserves to meet a revenue account deficit of OPDC under s85(4)(d) of the GLA Act
89	**£6,500,000**	aggregate of the amounts for the items set out in s85(4) of the GLA Act for OPDC (lines (85) + (86) + (87) + (88) above)
90	-£300,000	estimate of OPDC's income not in respect of Government grant, retained business rates or council tax precept calculated in accordance with s85(5)(a) of the GLA Act
91	£0	estimate of OPDC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
92	£0	estimate of OPDC's income in respect of general government grants (revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
93	-£6,200,000	estimate of OPDC's income in respect of retained business rates including related section 31 grant income calculated in accordance with s85(5)(a) of the GLA Act
94		estimate of OPDC's share of any net collection fund surplus for the 33 London billing authorities calculated in accordance with s85(5)(a) of the GLA Act
95	**-£6,500,000**	aggregate of the amounts for the items set out in section 85(5)(a) of the GLA Act (lines (90) + (91) + (92) + (93) + (94))
96	£0	estimate of OPDC's reserves to be used in meeting amounts in line 89 above under s85(5)(b) of the GLA Act
97	**-£6,500,000**	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for OPDC (lines (95) + (96) above)
98	**£0.00**	the component council tax requirement for OPDC (being the amount by which the aggregate at (89) above exceeds the aggregate at (97) above calculated in accordance with section 85(6) of the GLA Act)

The draft component council tax requirement for the OPDC for 2021-22 is £0 (£NIL)

Greater London Authority ("GLA") draft consolidated council tax requirement calculation incorporating the component council tax requirements for the Greater London Authority (Mayor), Greater London Authority (Assembly), the Mayor's Office for Policing and Crime (MOPAC), the London Fire Commissioner (LFC), Transport for London (TfL), the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).

Line	Sum	Description
99	**£1,044,687,210**	the GLA's consolidated council tax requirement (the sum of the amounts in lines (14) + (28) + (42) + (56) +(70) +(84) + (98) calculated in accordance with section 85(8) of the GLA Act)

The draft consolidated council tax requirement for the GLA for 2021-22 is £1,044,687,210

Aggregate GLA Group budget for 2021-22

Estimated Expenditure

£	GLA Mayor	GLA Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Total
Estimated expenditure	£1,668,149,226	£7,004,166	£3,989,763,087	£489,300,000	£7,525,791,026	£58,800,000	£6,500,000	£13,745,307,505
Estimated allowance for contingencies	£0	£0	£0	£0	£0	£0	£0	£0
Estimated reserves to be raised for meeting future expenditure		£0			£875,100,000		£0	£875,100,000
Estimate of reserves to meet a revenue account deficit including forecast collection fund deficit for retained business rates	£0	£0	£0	£0	£0	£0	£0	£0
Estimated total expenditure	**£1,668,149,226**	**£7,004,166**	**£3,989,763,087**	**£489,300,000**	**£8,400,891,026**	**£58,800,000**	**£6,500,000**	**£14,620,407,505**

Estimated Income and Calculation of Council Tax Requirement

£	GLA Mayor	GLA Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Total
Estimate of non-government grant income	-£246,800,000	£0	-£290,200,000	-£41,200,000	-£4,542,200,000	-£32,000,000	-£300,000	-£5,152,700,000
Estimate of specific government grant income	-£345,200,000	£0	-£583,100,000	-£33,300,000	-£3,035,800,000	£0	£0	-£3,997,400,000
Estimate of general government grant income	-£25,000,000	£0	-£2,181,300,000	£0	£0	£0	£0	-£2,206,300,000
Estimate of Retained Business Rates income	-£895,289,000	-£4,500,000	-£27,923,142	-£228,108,154	-£773,700,000	-£26,800,000	-£6,200,000	-£1,962,520,295
Collection fund surplus for council tax	£0	£0	£0	£0	£0	£0		£0
Estimated total income before use of reserves	**-£1,512,289,000**	**-£4,500,000**	**-£3,082,523,142**	**-£302,608,153.61**	**-£8,351,700,000**	**-£58,800,000**	**-£6,500,000**	**-£13,318,920,295**
Estimate of reserves to be used	-£93,400,000	£0	-£140,400,000	-£23,000,000	£0	£0	£0	-£256,800,000
Estimated total income after use of reserves	**-£1,605,689,000**	**-£4,500,000**	**-£3,222,923,142**	**-£325,608,154**	**-£8,351,700,000**	**-£58,800,000**	**-£6,500,000**	**-£13,575,720,295**
Council tax requirement	**£62,460,226**	**£2,504,166**	**£766,839,945**	**£163,691,846**	**£49,191,026**	**£0.00**	**£0.00**	**£1,044,687,210**
COUNCIL TAXBASE	**2,878,351.44**	**2,878,351.44**	**2,870,662.02**	**2,878,351.44**	**2,878,351.44**	**0.00**	**0.00**	
BAND D COUNCIL TAX £	**21.70**	**0.87**	**267.13**	**56.87**	**17.09**	**0.00**	**0.00**	**363.66**

Part 2
Draft Consolidated Budget 2021-22

Explanation of Proposals

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Introduction and Overview

1.1 The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions. The GLA's five functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPAC), overseeing the work of the Metropolitan Police Service (MPS); the London Fire Commissioner (LFC); Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the Old Oak and Park Royal Development Corporation (OPDC).

1.2 The purpose of this document is to explain the Mayor's Draft Consolidated Budget for 2021-22 ("Budget") and draft Capital Spending Plan. The Mayor has previously consulted the London Assembly, functional bodies, London Boroughs, the Common Council of the City of London and other interested parties, such as the business community, on his budget proposals in the GLA Group Budget Proposals and Precepts 2021-22 consultation document published in December 2020. This document set out the Mayor's proposed revenue budget and draft capital spending plan for 2021-22.

1.3 For the seven "constituent bodies" (the Mayor, Assembly and the five functional bodies), the Mayor puts forward separate "component budgets" relating to the amount needed to balance each body's respective revenue expenditure, after allowing for revenue grants from the Government and retained business rates, where relevant. This is known as the "component council tax requirement". The aggregate of these seven "component" budgets gives the GLA Group Budget and the proposed figure of the GLA precept, known as the "consolidated council tax requirement".

1.4 The Mayor's key objective in this Budget is to support London's recovery from the impact of COVID-19, including through the delivery of the missions set out by the London Recovery Board; these are listed in the next section of this document. The key deliverables in this Budget are set out in the relevant section for each of the constituent bodies. The impact of the pandemic has been referred to in the sections related to each functional body.

1.5 The coronavirus pandemic has continued to have a detrimental impact on people's lives globally. London's economy has suffered greatly. All parts of the GLA Group have been supporting various initiatives at significant additional cost to date. The Government has not fully reimbursed the GLA Group, leaving these unmet costs as added financial pressures that weigh on this budget. In addition, there is a significant forecast loss of income from business rates and council tax. It was necessary, as set out in the Mayor's Budget Guidance, published in June 2020, to revise and repurpose both the 2020-21 and 2021-22 budgets to identify savings of £493 million, based on the most likely scenario of income losses, which is still regarded as an appropriate basis for determining the funding allocations set out in this draft Budget.

1.6 The forecast deficit for 2020-21 and the budgeted income for 2021-22 from these sources, to be taken into account in the final draft budget, will not be confirmed until billing authorities submit their estimates to the GLA at the end of January 2021. An updated assessment will also be made at that point of the financial effects of the losses arising from these returns, having regard to any Government schemes and funding support announced to ameliorate these losses, once the related detailed guidance and distribution arrangements have been finalised and their implications can be properly assessed. The funding allocations for each constituent body will also be reviewed once this information is available.

1.7 At this stage the Budget incorporates provisional estimates of council tax and business rates losses. In addition, an agreement has yet to be reached with the Department for Transport (DfT) on the level of Government support relating to TfL for 2021-22, following the significant reduction in fares income as a result of the pandemic's impact on passenger numbers and economic activity.

GLA Group Capital Strategy

1.8 In accordance with the requirements of the relevant statutory guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), an updated Capital Strategy, setting out capital expenditure and funding plans for the next twenty years must be produced, alongside a detailed three-year plan. The GLA Group's draft Capital Strategy, which brings together information from the GLA and each of the functional bodies' draft Capital Strategies, is set out in Section 9 of this document and includes the GLA Group's draft statutory capital spending plan, as required by the GLA Act 1999.

Overall gross revenue and capital expenditure of the GLA Group

1.9 The gross expenditure for the GLA (Mayor and Assembly) and each functional body is funded through a combination of resources directly controlled and allocated by the Mayor, primarily council tax and retained business rates income, and other sources of income, such as specific and general government grants and fares income, as well as locally raised taxes and charges, such as the congestion charge, the Crossrail Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL).

1.10 Overall gross revenue and capital expenditure on a statutory basis is proposed to increase by £1,790.8 million in 2021-22 compared to the 2020-21 forecast outturn. Once allowing for the treatment of items which are included in the statutory calculations of both the GLA and relevant functional body, overall the effective gross expenditure of the GLA Group is set to increase in 2021-22 by £907.8 million. This increase is explained principally by the funding uplift, both through Home Office grant and the council tax precept, for the recruitment of additional police officers of £123 million, and GLA's extra agreed £825 million contribution towards the costs of Crossrail of which £760 million is expected to be paid to TfL in 2021-22.

1.11 After allowing for fares, charges, other income including locally-raised revenues for Crossrail and the planned use of reserves, gross revenue expenditure of £13,745.2 million for 2021-22 translates into net revenue expenditure to be financed from government grants, retained business rates and the council tax precept of £9,210.8 million.

1.12 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2021-22 compared to the 2020-21 forecast outturn for each body. These estimates have been updated to take account of the Mayor's council tax proposals following the provisional local government and police finance settlements. The 2021-22 estimates are subject to the confirmation and approval of council tax referendum principles that would permit the necessary increases. The GLA: Mayor revenue figure in the table includes corporate items such as capital financing costs for the borrowing incurred for its contributions towards Crossrail and the Northern line extension. It also includes the GLA's estimated tariff and levy payments, which are expected to be made to the Government under the business rates retention system to support local services elsewhere in England; figures will be updated in the final draft budget to reflect the impact of final police and local government finance settlements, as well as the updated billing authority estimates of business rates and council tax income.

Total gross revenue and capital expenditure	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Change £m	Change %
Revenue:				
GLA: Mayor	1,687.1	1,668.1	-19.0	-1%
GLA: Assembly	7.7	7.0	-0.7	-9%
MOPAC	3,866.8	3,989.7	122.9	3%
LFC	492.9	489.3	-3.6	-1%
TfL	7,111.2	7,525.8	414.6	6%
LLDC	56.8	58.8	2.0	4%
OPDC	6.2	6.5	0.3	5%
Total revenue	**13,228.7**	**13,745.2**	**516.5**	**4%**
Capital:				
GLA: Mayor	1,679.7	2,080.7	401.0	24%
GLA: Assembly	0.0	0.0	0.0	n/a
MOPAC	333.9	385.1	51.2	15%
LFC	32.8	57.6	24.8	76%
TfL	2,080.1	2,821.5	741.4	36%
LLDC	171.5	227.4	55.9	33%
OPDC	0.0	0.0	0.0	n/a
Total capital	**4,298.0**	**5,572.3**	**1,274.3**	**30%**
Grand total revenue and capital	**17,526.7**	**19,317.5**	**1,790.8**	**10%**

Note: The above items reflect the statutory revenue and capital spending plan allocations for each body. Consequently, expenditure involving transfers between functional bodies as outlined above.

Council tax precept

1.13 The GLA receives income from a council tax precept on London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London). Income from council tax balances the GLA Group's net revenue expenditure, after allowing for revenue grants from the Government and retained business rates.

1.14 A different council tax charge for GLA Group's services applies to the City of London, compared to the 32 London boroughs as it is outside the Metropolitan Police District. Council taxpayers in the City of London therefore contribute separately towards the costs of the City of London Police, rather than the Mayor's Office for Policing and Crime (MOPAC). As a result, council tax payers in the City of London pay the 'unadjusted' basic amount of council tax to the GLA (in effect the 'non-police precept'). Council tax payers in the 32 London boroughs (the area of the Metropolitan Police District) pay the 'adjusted' amount of council tax, which is made up of the unadjusted amount, for non-police services, and a separate element for policing services.

1.15 On 8 January 2021 the Mayor announced his proposal to increase the unadjusted Band D council tax charge for non-police services by £16.59 for 2021-22. This rise reflects a £15 increase in the Band D charge allocated to TfL compared to the budget proposals issued for consultation in December 2020, which already included a £1.59 increase to be allocated to the LFC. The additional £15 increase in the unadjusted element is intended to contribute towards the costs of the under 18 and 60+ Oyster photocard concessionary travel schemes in London. In the TfL funding agreement for the second half of 2020-21, the Government required that the Mayor fund these from additional income; congestion charge and/or council tax income were suggested as options to meet these costs. The £15 Band D increase is therefore proposed to meet around £43 million of these costs, with the balance met by income projected from the temporary changes to the Congestion Charge scheme introduced in June 2020.

1.16 The proposed increase would be deemed as excessive under the draft referendum principles published by MHCLG in the provisional settlement on 17 December 2020, which permitted an increase of £1.59 or 1.99 per cent in the unadjusted Band D council tax charge (known as the unadjusted relevant basic amount). However, the Government's consultation on the provisional settlement acknowledged that the Mayor 'may seek to raise the general element of the GLA's council tax precept' and stated that the Government 'await[s] the Mayor's proposals on the GLA referendum principle, as part of the responses to this consultation'. The Transport Secretary has subsequently confirmed that MHCLG are aware of the steps required so that the proposed increase can be implemented. The GLA has separately advised MHCLG of the Mayor's proposals in its response to the consultation on the provisional local government finance settlement.

1.17 The adjusted Band D council tax charge, which includes additionally the element for policing and is payable by taxpayers in the 32 London boroughs, is proposed to increase by £31.59 or 9.5 per cent. This reflects the confirmation in the provisional police settlement for 2021-22 and the draft referendum principles, referenced above, that Police and Crime Commissioners in England can increase their Band D council tax charge by up to a maximum of £15 for 2021-22 without triggering a referendum.

1.18 MHCLG is expected to publish the final referendum principles in late January or early February alongside the final local government finance settlement and these will be subject to formal approval by the House of Commons shortly thereafter. The decision of the Government on the final referendum thresholds for the GLA is therefore expected to be known at point at which the final draft budget is published.

1.19 In summary, the Mayor therefore proposes to increase his total Band D council tax charge – the adjusted amount – from £332.07 to £363.66, in order to provide additional resources to support frontline policing and fire and rescue services, maintain free bus and tram travel for under 18s and allow the 60+ Oyster photocard scheme to continue. The unadjusted Band D charge payable by council tax payers in the City of London is proposed to increase from £79.94 to £96.53. As the Government has not yet provided an indication of council tax referendum thresholds for 2022-23 or future years, 1.99 per cent increases are assumed for that financial year for both the police and non-police element.

1.20 At this stage it is assumed that there will be a 5.6 per cent decrease in the council tax base for 2021-22, compared to the original budgeted 2020-21 taxbase, for both the unadjusted and adjusted elements. This is an estimate, taking into account the expected net reduction arising from collection losses due to the COVID-19 pandemic, the impact of increases in the volume of council tax support claims from working age households and the change in the number of residential properties on the local valuation list. The actual council taxbases for 2021-22 for budgeting purposes will not be confirmed by the 33 local billing authorities until the end of January 2021.

1.21 Separately, a council tax collection fund deficit equivalent to 7 per cent of the original budgeted council tax income is estimated at this stage for 2020-21. This is in line with the estimated losses the 33 local billing authorities in London have reported to MHCLG in recent months. This deficit is recoverable by billing authorities from the GLA across the following three budget years as required under the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.

1.22 In addition, the Government has confirmed that 75 per cent of 'irrecoverable' council tax and business rates losses, in respect of the 2020-21 financial year only, will be funded through a section 31 grant from MHCLG (Section 31 of the Local Government Act 2003 allows ministers to pay grants to any local authority in England for any expenditure). The final methodology for these compensation schemes has still to be confirmed and at this stage – pending receipt of the billing authority estimated outturn data for 2020-21 at the end of January – it is not possible to confirm the precise sums the GLA could receive as a result. An estimate of the compensation the GLA could receive will be made and reflected in the Mayor's final draft budget following receipt of the billing authority estimates. The final level of compensation will only be confirmed once outturn figures are available from billing authorities which is likely to be in autumn 2021.

1.23 In the provisional settlement MHCLG proposed that the GLA be allocated £25.0 million of the £670 million of funding made available nationally to manage the costs of additional claims for council tax support in 2021-22. Further details on the potential funding implications of these schemes for the GLA Group are set out in Appendix I.

1.24 A decision on the precise treatment and apportionment of the estimated 2020-21 deficit will be made when the actual aggregate figure is confirmed by the 33 billing authorities at the end of January 2021 and on the consequent implications of these figures the irrecoverable losses compensation scheme. It should be noted that the Mayor – in Mayoral Decision 2695 – has already reduced the funding reductions for MOPAC, LFC, the GLA: Mayor and the GLA: Assembly budgets for 2020-21 by 50 per cent compared to their allocated share of the expected losses set out in his Budget Guidance in June. Due to current uncertainty, a zero collection fund surplus is assumed at this stage for the 2022-23 budget year.

1.25 Taking into account the above assumptions the forecast consolidated council tax requirement for 2021-22 is £1,044.7 million. Details of the component council tax requirements for each constituent body of the GLA Group for 2021-22, and indicative figures for 2022-23, are set out in the table below.

Component council tax requirements	**Approved 2020-21 £m**	**Proposed 2021-22 £m**	**Plan 2022-23 £m**
GLA (Mayor)	66.6	62.5	63.5
GLA (Assembly)	2.6	2.5	2.6
MOPAC	767.1	766.8	793.9
LFC	168.6	163.7	171.8
TfL	6.0	49.2	49.8
LLDC	0.0	0.0	0.0
OPDC	0.0	0.0	0.0
Consolidated council tax requirement	**1,010.9**	**1,044.7**	**1,081.6**
Total Band D council tax charge payable in:			
32 London Boroughs (adjusted amount)	£332.07	£363.66	£370.93
City of London (unadjusted amount)	£79.94	£96.53	£98.46

1.26 As a result of the expected decrease in the taxbase in 2021-22, compared to the budgeted 2020-21 figure, offset by the impact of the currently assumed £31.59 rise in the adjusted Band D precept, council tax income is expected at this stage to be £33.7 million higher in cash terms (before the 2020-21 council tax collection fund deficit adjusted for the impact of any Government compensation for losses is taken into account). The combined Band D charge for the Mayor and Assembly components is currently planned to be the same as the 2020-21 level, enabling the entire increase in the Band D charge for the non-police precept to be allocated to fire and rescue services and TfL.

1.27 As outlined above, the council tax requirement for 2021-22 will change in the final draft budget to reflect the actual council taxbase figures agreed by the 33 billing authorities. The Mayor will also have to have regard to the final council tax referendum principles applying to the GLA once they are approved by the House of Commons, the 2020-21 estimated deficits including any estimated Government compensation for in-year losses and 2021-22 taxbases supplied by the 33 billing authorities at the end of January, as well as the impact of the final police and local government finance settlements, including the overall level of funding available for policing. More detailed information about the council tax requirement and precept and their calculation is included in Appendix H.

Business rates retention and London pooling arrangements

1.28 Since April 2017 the Government has funded all former general grants from central government for the GLA and LFC, the residual former TfL general and investment grants, as well as an element of support for London policing in respect of historic council tax freeze grant, through retained business rates. The combined retained business rates funding allocated in this budget for services, including £930 million for TfL's capital programme, is assumed to total just over £2 billion in respect of the 2021-22 financial year before any estimated deficits for 2020-21 are taken into account.

1.29 The Government has confirmed that the current business rates retention arrangements in place for 2020-21 will be rolled forward into 2021-22 as part of the wider one-year only Spending Review. This includes the 67 per cent GLA local retention pilot under which the GLA retains 37 per cent of business rates growth after its tariff payment and the levy on growth and London boroughs retain 30 per cent. The Government's planned reset of business rates growth and the implementation of the fair funding review of needs and distribution have been postponed until April 2022 at the earliest.

1.30 The Mayor, the Chair of London Councils and the Chair of the Corporation of London's Policy and Resources Committee wrote to the Secretary of State for Housing, Communities and Local Government on 12 January 2021 to formally request the pan-London business rates pool does not continue in 2021-22. This reflects a collective decision on behalf of all 34 member authorities of the pool, given the potential financial benefits of pooling business rates across all 34 authorities next year are greatly outweighed by the risks due to the ongoing impact of the COVID-19 pandemic on London's business rates taxbase. The decision to end the pool had to be communicated to MHCLG within 28 days of the announcement of the provisional local government finance settlement. It is intended that while the formal pooling arrangement will be discontinued in 2021-22 an element of joint working will continue on an informal basis.

1.31 It is estimated at this stage that the GLA will make a combined tariff and levy contribution to the Government from its share of business rates income of around £844.5 million in 2021-22, directly to MHCLG having regard to the information set out in the Spending Review, the provisional local government finance settlement and the current forecast reduction in business rates income. This sum will be used to support local services elsewhere in England. This estimate will be revised in the final draft budget to reflect the impact of the tariff figure set out in the final MHCLG settlement and – in respect of the levy on growth – the actual forecast 2021-22 business rates income notified by billing authorities at the end of January.

1.32 At this stage, the allocations of retained business rates in this budget for the GLA and functional bodies for 2021-22, including the deficit for 2020-21, reflect the impact of an estimated 11 per cent reduction in the tax take compared to the original 2020-21 budgeted income having regard to an assessment of recent billing authority forecasts submitted to the Government. They also take into account recent related changes in secondary legislation affecting the calculation of levy and safety net payments and an estimate of the funding baseline for the GLA expected to be announced in the provisional local government finance settlement.

1.33 In the Spending Review, on 25 November 2020, the Chancellor announced the business rate multiplier for 2021-22 would be frozen at the same level as 2020-21, with local authorities being compensated by section 31 grant to offset the reduced revenues from ratepayers. In addition to spreading any deficits over three budget years, the Chancellor also confirmed, as previously mentioned, that local authorities would be compensated for 75 per cent of 'irrecoverable' lost revenues from business rates and council tax via section 31 grant. Prior to the government confirming the final methodology setting out how it will operate in practice and the confirmation by billing authorities of their forecast outturn for 2020-21, it is not possible at this stage to assess the impact of this scheme on the GLA Group. As outlined above the final compensation amount is dependent on outturn figures from billing authorities, expected in autumn 2021.

1.34 Following the submission of the statutory estimates by the 33 billing authorities at the end of January 2021, the actual level of business rates income available to the GLA for budgeting purposes in 2021-22, including any levy on growth payable to MHCLG alongside the 2020-21 forecast deficit adjusted for the 75 per cent compensation scheme, will be calculated.

1.35 The final draft budget will set out therefore revised allocations to component budgets to reflect the statutory estimates supplied by the 33 local authorities having regard to these returns, the statutory council tax estimates, the impact of the three-year spreading and funding of irrecoverable losses and any progress of negotiations regarding Government support for TfL in 2021-22. The forecasts set out in this draft budget are subject to much greater uncertainty than in previous years given the impacts of the COVID-19 pandemic on business rates revenues.

1.36 It is important to note that there is considerable uncertainty on the level of business rates income the GLA will retain from 2022-23 onwards even allowing for the current economic uncertainty, given the Government's 2020 Spending Review was for one year only. The implementation of reforms to the business rates retention system – including the planned reset of business rates growth – and the local government and fire fair funding distribution reviews have also been delayed until 2022-23 at the earliest. It is not anticipated at this stage that the outcome of these changes, if and when they are implemented, will be beneficial to London or the GLA Group in aggregate.

1.37 The Government is also undertaking a fundamental review of business rates as a tax which is not due to report until March 2021, which adds further uncertainty as to the tax take in the medium term as it has committed to reducing the burden on business ratepayers. There are also significant downside risks to the existing taxbase due to potential reductions in valuations by the Valuation Office Agency arising from the economic impact of the pandemic on the rental levels of offices and retail premises and reductions in turnover levels for leisure and hospitality businesses. More detailed information about future funding assumptions and the associated risks is set out in Appendix I.

Summary of spending plans and council tax requirement calculation

1.38 Forecast council tax precept income (the 'consolidated council tax requirement') and the other sources of finance for 2021-22, including government grants and fare revenues, are summarised in the table below.

Spending plans and council tax requirements	**2021-22 £m**	**2021-22 %**
Spending plans	13,745.2	100%
Less:		
Fares income	-3,275.6	-24%
Extraordinary Grant	-3,023.2	-22%
Home Office Police General and Formula Grant	-2,206.3	-16%
Other general income	-1,877.1	-14%
Retained business rates	-1,962.4	-14%
Home Office specific grants for policing	-583.1	-4%
Other specific Government grants	-391.2	-3%
Use of reserves	618.3	4%
Consolidated council tax requirement for GLA Group	**1,044.7**	**8%**

Funding allocations from sources over which the Mayor has direct control

1.39 The tables overleaf summarise the proposed funding allocations from retained business rates and council tax to the GLA: Mayor and Assembly and the relevant functional bodies for 2021-22 compared to the revised 2020-21 budget. They reflect for the 2021-22 allocations both the impact of reduced revenues for 2021-22 and the forecast deficits for 2020-21. These are the funds which the Mayor has the ability to apply and reallocate across the GLA Group at his discretion, subject to the Assembly's consideration of the Mayor's council tax proposals.

1.40 The year-on-year change in the allocation for MOPAC includes the proposed drawdown of half of the £118.6 million previously paid in advance to MOPAC by the Mayor to fund the cost of the additional 1,000 police officers across two financial years. This advance funding was placed into MOPAC's reserves to address methodology changes expected to be made by the Government to the business rates retention system from April 2020 which would delay the receipt of growth by up to two years. These changes have subsequently yet to be confirmed or implemented, but could potentially be introduced from April 2022.

1.41 Given the expected reductions in business rates income, it is still intended to use this funding, held in MOPAC's reserve for the purpose of funding the extra 1,000 officers, in 2021-22 and 2022-23, as set out in last year's Group budget.

1.42 The figures for retained business rates in these tables and elsewhere also include estimates of funding received through section 31 grant from MHCLG for the business rates multiplier cap and the ongoing cost of the doubling of small business rates relief. The figures also include for 2020-21 the impact of the lost revenue arising from the rates relief scheme for the retail, leisure, hospitality and childcare sectors introduced in response to the pandemic which amounts to over £3 billion London wide - equivalent to 34 per cent of the previously budgeted taxbase – of which the GLA's share is around £1.1 billion. The Government has still to confirm if the retail, leisure, hospitality and childcare provider rate relief schemes will continue in 2021-22 in full or in part.

1.43 Appendix H sets out both a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations proposed by the Mayor.

Allocation of funding sources over which the Mayor has direct control

2021-22	Mayor	Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Group items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council tax	62.5	2.5	766.8	163.7	49.2	0.0	0.0	0.0	1,044.7
Business rates	44.8	4.5	27.9	228.1	1,703.9	26.8	6.2	850.4	2,892.6
Group reserves	0.0	0.0	0.0	0.0	0.0	6.7	0.6	0.0	7.3
Total Mayoral funding	**107.3**	**7.0**	**794.7**	**391.8**	**1,753.1**	**33.5**	**6.8**	**850.4**	**3,944.6**

2020-21	Mayor	Assembly	MOPAC	LFC	TfL	LLDC	OPDC	Group items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Council tax	66.6	2.6	767.1	168.6	6.0	0.0	0.0	0.0	1,010.9
Collection fund surplus (Ctax)	7.4	0.0	10.0	0.0	0.0	0.0	0.0	0.0	17.4
Business rates	130.6	5.9	118.7	232.9	1,879.0	32.6	7.8	965.5	3,373.0
Group reserves	0.0	0.0	0.0	0.0	0.0	4.9	0.0	0.0	4.9
Total Mayoral funding	**204.6**	**8.5**	**895.8**	**401.5**	**1,885.0**	**37.5**	**7.8**	**965.5**	**4,406.2**

Change	**-97.3**	**-1.5**	**-101.1**	**-9.7**	**-131.9**	**-4.0**	**-1.0**	**-115.1**	**-461.6**

Equalities

1.44 Promoting equality, diversity, inclusion, social mobility and social integration are all high priorities for the Mayor. The Mayor published his social integration strategy, 'All of Us' and his equality, diversity and inclusion strategy, 'Inclusive London' in 2018; implementation of both strategies is now underway.

1.45 All seven constituent bodies (the Mayor and Assembly and the five functional bodies) must comply with section 149 of the Equality Act 2010. Compliance with the duty is iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken.

1.46 The constituent bodies will undertake this at a budget level and in the implementation of their individual policies, programmes and projects. An interim assessment of the equality implications of each component body's budget at this stage of the process is set out in each of their sections.

Environment

1.47 Addressing the environmental challenges that London faces is a key priority for the Mayor. His London Environment Strategy (LES) was published in May 2018 and outlines actions to achieve his vision for London in 2050 that will realise the potential of London's environment to support good health and quality of life and to make the city a better place to live, work and do business. Implementation of the strategy is now underway.

1.48 The GLA Group has a key role in delivering the actions in the LES and its implementation plan. Chapter 11 of the Strategy sets out the framework for GLA Group action, including using its procurement power to drive markets for green services and goods, trialling new technologies and approaches to bring confidence for wider market roll out, and acting as powerful demonstrators of best practice.

1.49 All seven constituent bodies (the Mayor and Assembly and the five functional bodies) have ensured their budget proposals include sufficient resourcing and budget necessary for the efficient and effective delivery of the LES. An interim assessment of the environment implications of each component body's budget at this stage of the process is set out in each of their sections.

Consultation Process

1.50 As part of the Mayor's commitment to transparency and engagement, in previous years the GLA has engaged Londoners proactively in the budget consultation process on Talk London ahead of the formal statutory consultation process. The GLA's Opinion Research team have been conducting pandemic-related research since March this year, focussing on Londoners' immediate and longer-term priorities for the city. This draft budget is therefore informed by a significant level of information on Londoners' current concerns and priorities for the city. In light of this extensive qualitative and quantitative research, it has been concluded that an extended pre-budget consultation is not necessary this year.

1.51 As in 2020-21, the consultation document on the Mayor's budget proposals, published in December 2020 was hosted on the Talk London website, alongside a blog post written by the Opinion Research Team summarising the opinion research findings conducted by the GLA this year on Londoners' priorities. Talk London members were able to read the document and were asked to comment on the GLA Group Budget Proposals and Precepts 2021-22 within a discussion thread. The consultation on Talk London took place from 6 January to 22 January 2021. The results of this engagement will be considered before the final budget is proposed.

Structure of the Draft Budget Document

1.52 Revenue budget proposals and funding for each constituent body within the GLA Group are presented in Sections 2 to 8 of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of their council tax requirement. Section 9 sets out the proposed Capital Strategy for the GLA Group, including the statutory draft capital spending plan. The individual capital spending plans, capital financing budgets and borrowing limits, as well as the revenue budgets at a subjective level, are set out in Appendices A to F. Appendix G provides a summary of the Group's savings and collaboration activities. Appendices H and I address the medium-term financial outlook for the GLA Group and funding assumptions underpinning the budget proposals.

1.53 This Draft Budget reflects the announcements made in the provisional local government and police finance settlements and consequential amendments have been made to the proposals set out in the consultation document on the Mayor's budget proposals, published in December 2020. The Final Draft Budget to be published in February will reflect final council tax and business rates figures submitted by billing authorities having regard to the schemes announced to manage local taxation losses.

1.54 There are also more detailed public documents relating to the budget proposals, including those that have been the subject of individual scrutiny and discussion by the GLA and functional bodies. These are available on the GLA's and functional bodies' websites. Please note that figures in the tables throughout this document may not sum exactly due to roundings.

1.55 For further information on these documents, or in respect of budget proposals, please contact:

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Greater London Authority: Mayor of London

2.1 The GLA is a strategic authority with a London-wide role to design a better future for the capital. The Mayor of London sets a city-wide vision of improvement, develops strategies, policies and investment programmes to realise the vision and provides funding and encouragement to help make it a reality. The London Assembly holds the Mayor to account by examining his decisions and actions to ensure he delivers on his promises to Londoners. The Assembly also has the power to amend the Mayor's proposed council tax allocations.

2.2 For the purpose of budget setting the Mayor of London and London Assembly must be treated as separate constituent bodies. The component budget for the Assembly comprises estimates for its direct expenditure and income and is set out at Section 3. The budget for the Mayor is set out below. It includes expenditure incurred on accommodation in relation to the Assembly's business and goods and services provided or procured for the Authority in general.

Key deliverables

2.3 The proposed budget will continue to support the Mayor's ambitions to support London's recovery through the delivery of pan-London Missions agreed with the London Recovery Board, which are as follows:

- **A Green New Deal** – Tackle the climate and ecological emergencies and improve air quality by doubling the size of London's green economy by 2030 to accelerate job creation for all;
- **A Robust Safety Net** – By 2025, every Londoner is able to access the support they need to prevent financial hardship;
- **High Streets for All** – Deliver enhanced public spaces and exciting new uses for underused high street buildings in every borough by 2025, working with London's diverse communities;
- **A New Deal for Young People** – By 2024 all young people in need are entitled to a personal mentor and all young Londoners have access to quality local youth activities;
- **Helping Londoners into Good Work** – Support Londoners into good jobs with a focus on sectors key to London's recovery;
- **Mental Health and Wellbeing** – By 2025 London will have a quarter of a million wellbeing ambassadors, supporting Londoners where they live, work and play;
- **Digital Access for All** – Every Londoner to have access to good connectivity, basic digital skills and the device or support they need to be online by 2025;
- **Healthy Food, Healthy Weight** – By 2025 every Londoner lives in a healthy food neighbourhood; and
- **Building Strong Communities** – By 2025, all Londoners will have access to a community hub ensuring they can volunteer, get support and build strong community networks.

2.4 The GLA has developed eight Recovery Foundations that are key areas of GLA investment which support recovery broadly and will underpin the delivery of the Recovery Missions listed above.

Gross revenue expenditure

2.5 The Mayor is proposing a decrease in gross revenue expenditure for the GLA (excluding group items as set out in Appendix A) of £44.0 million in 2021-22 compared to the revised budget for 2020-21. Total gross expenditure including group items is proposed as £1,669.1 million which is £18 million lower than the forecast outturn for 2020-21.

Net revenue expenditure and council tax requirement

2.6 After deducting fees, charges, investment income, business rate supplement and Mayoral Community Infrastructure Levy (MCIL) revenues used to finance Crossrail, external contributions towards the financing of the Northern Line Extension and other borrowing, and the use of earmarked reserves, net revenue expenditure for 2021-22 for GLA: Mayor services is proposed as £452.5 million. This excludes transactions shown separately in the GLA Group items budget, including the estimated £844.5 million business rates retention tariff and levy payment to MHCLG, set out in Appendix A. After deducting income from retained business rates and government grants, the statutory council tax requirement for the Mayor is £62.9 million.

2.7 The GLA: Mayor's budget on a directorate (i.e. objective) basis is set out in the table overleaf; these figures are indicative.

Objective analysis GLA: Mayor services	Revised Budget 2020-21 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Directorate Expenditure				
Good Growth	95.4	92.6	64.2	59.9
Housing & Land	60.6	56.4	16.6	16.6
Communities & Skills	363.9	355.2	387.2	380.0
Strategy and Communications	24.4	23.3	18.9	18.9
Resources	34.5	35.0	37.3	20.8
Corporate Management Team	4.7	5.0	6.8	6.8
Mayor's Office	5.3	5.9	4.3	4.3
Elections	20.9	5.7	20.9	0.0
Directorate expenditure	**609.7**	**579.1**	**556.2**	**507.3**
Strategic investment fund (SIF)	35.3	40.0	33.8	0.0
Contingency	1.0	1.0	0.0	1.0
Other service expenditure	**36.3**	**41.0**	**33.8**	**1.0**
Financing costs – Crossrail	132.7	132.7	155.0	155.0
Financing costs – Northern Line Extension	20.5	20.5	22.0	22.0
Financing costs – other	6.3	6.3	5.3	5.3
Provision for repayment of debt/ other grant payments - LLDC	11.8	11.8	0.0	0.0
Financing Costs	**171.3**	**171.3**	**182.3**	**182.3**
Interest receipts	-17.3	-20.5	-9.0	-9.0
Crossrail BRS and MCIL	-132.7	-132.7	-155.0	-155.0
Northern Line Extension contributions	-20.5	-20.5	-22.0	-22.0
Interest receipts GLAP loan	-10.0	-10.0	-10.0	-10.0
GLAP recharge	-6.4	-6.4	-6.4	-6.4
Income	**-186.9**	**-190.1**	**-202.4**	**-202.4**
Transfer to/from (-) reserves held for GLA services	-53.9	-20.4	-85.1	-38.9
Transfer to/from (-) reserves for GLA Group	-51.3	-56.0	-32.3	5.3
Net service expenditure after use of reserves	**525.2**	**524.7**	**452.5**	**454.6**
Specific grants	320.6	320.1	345.3	345.3
Retained business rates	130.6	130.6	44.8	45.8
Council tax collection fund surplus	7.4	7.4	0.0	0.0
Council tax requirement	**66.6**	**66.6**	**62.5**	**63.5**

2.8 Given the orientation of the GLA's resources to London's recovery, from 2021-22 the GLA is also reporting on progress against the Missions and Foundations referred to above. The table below restates the GLA Directorate expenditure line in this new format for 2021-22 and 2022-23.

Restated Directorate expenditure for 2021-22 and 2022-23	Gross Expenditure 2021-22 £m	Gross income 2021-22 £m	Net Expenditure Budget 2021-22 £m	Gross Expenditure 2022-23 £m	Exclude income 2022-23 £m	Net Expenditure Plan 2022-23 £m
Missions						
A green new deal	20.0	1.1	**18.9**	20.0	1.1	**18.9**
A robust safety net	17.0	1.9	**15.1**	17.0	1.9	**15.1**
High streets for all	7.0	0.0	**7.0**	5.0	0.0	**5.0**
A new deal for young people	85.3	0.5	**84.8**	77.3	0.5	**76.8**
Helping Londoners into good work	191.4	0.3	**191.1**	191.5	0.3	**191.1**
Mental Health & wellbeing	1.5	0.0	**1.5**	1.5	0.0	**1.5**
Digital access for all	7.6	0.0	**7.6**	7.6	0.0	**7.6**
Healthy food, healthy weight	1.5	0.0	**1.5**	1.5	0.0	**1.5**
Building strong communities	96.1	0.0	**96.1**	94.1	0.0	**94.1**
Foundations						
Engaging Londoners	3.0	0.0	**3.0**	3.0	0.0	**3.0**
Public health and Health & care partnerships	1.4	0.0	**1.4**	1.4	0.0	**1.4**
Equality, Diversity & Inclusion	2.0	0.0	**2.0**	2.0	0.0	**2.0**
Transport & Infrastructure	6.0	5.0	**1.0**	6.0	5.0	**1.0**
Supporting Businesses, Jobs and growth	20.6	2.1	**18.5**	21.2	2.1	**19.1**
Spatial Development	12.7	12.1	**0.6**	12.7	12.1	**0.6**
Capital investment, including affordable homes programme	11.3	10.0	**1.3**	11.3	10.0	**1.3**
Recovery programme support	1.0	0.0	**1.0**	1.0	0.0	**1.0**
Core						
Finance	4.7	2.2	**2.5**	4.7	2.2	**2.5**
HR	3.4	0.3	**3.1**	3.4	0.3	**3.1**
Technology	6.1	0.5	**5.6**	6.1	0.5	**5.6**
Governance	1.0	0.6	**0.4**	1.0	0.6	**0.4**
Shared services & Corporate	7.6	1.8	**5.8**	7.6	1.8	**5.8**
Estates	28.5	3.5	**25.0**	11.9	3.5	**8.4**
Analysis & Intelligence	4.6	0.6	**4.0**	4.6	0.6	**4.0**
Government Relations	4.9	0.3	**4.6**	4.9	0.3	**4.6**
External Relations	0.6	0.1	**0.5**	0.6	0.1	**0.5**
Mayor's Office	4.3	0.0	**4.3**	4.3	0.0	**4.3**
CMT	4.2	0.0	**4.2**	4.2	0.0	**4.2**
Statutory Planning	4.9	1.5	**3.4**	4.9	1.5	**3.4**
Fire & Resilience	0.4	0.0	**0.4**	0.4	0.0	**0.4**
City Operations	0.9	0.0	**0.9**	0.9	0.0	**0.9**
Museum of London	10.6	0.0	**10.6**	10.6	0.0	**10.6**
Events	8.5	0.0	**8.5**	8.5	0.0	**8.5**
Elections	20.9	0.0	**20.9**	0.0	0.0	**0.0**
Excluding contingency			**-1.0**			**-1.0**
Total	**601.5**	**-44.4**	**556.2**	**552.7**	**-44.4**	**507.3**

Explanation of budget changes

2.9 An analysis of the year on year movement in the proposed council tax requirement for the GLA: Mayor compared to the revised budget for 2020-21 is set out below. An explanation of each change is provided in the paragraphs that follow.

Changes in the council tax requirement	**£m**
2020-21 council tax requirement	66.6
Changes due to:	
Savings and efficiencies	-39.8
Change in use of reserves	-32.8
Net change in retained business rates and specific grants	61.1
Change in council tax collection fund surplus	7.4
2021-22 council tax requirement	**62.5**

Inflation

2.10 The budget includes no provision for inflation, which is mitigated through savings and efficiencies at project and programme level.

Savings and efficiencies

2.11 The draft GLA: Mayor budget proposes £11.6 million of savings from core activities. In addition, a further £27.3 million will be delivered through the Recovery Missions & Foundations budgets being set at a lower level than the corresponding staffing and project budgets in 2020-21. The impact on individual projects is currently being considered and will be set out as appropriate once billing authorities returns are analysed in February and confirmed in the final GLA: Mayor budget in March.

Change in use of reserves

2.12 The budget proposes a net increase in the budgeted use of reserves of £33.8 million, reflecting the planned use of reserves held to fund Mayoral projects and initiatives, including the relocation of City Hall, and costs arising from the postponement of the GLA elections to May 2021.

Net change in retained business rates and specific grants

2.13 There is a £61.6 million net reduction in income from retained business rates and specific grants in 2021-22, compared to the revised 2020-21 budget. This reflects the impact of the reduced allocations from business rates arising from the losses due to the economic impact of the pandemic including the 2020-21 forecast deficit.

Capital financing costs for Elizabeth Line (Crossrail) and the Northern line extension

2.14 On 30 November 2020, the GLA, TfL and the DfT agreed a revised funding deal for Crossrail under which the GLA will provide an additional £825 million contribution to allow the completion of the project. It is assumed at this stage in the GLA's capital spending plan that £760 million of this will be transferred to TfL in 2021-22 with the remaining £65 million being paid over in 2022-23. The profile of the application of this funding by TfL for the Crossrail project will be phased on a different basis taking into account the use of other contributions including those met from TfL's own sources including borrowing.

2.15 The £825 million aggregate additional contribution will be borrowed from the Government and financed and repaid using revenues from the Crossrail business rate supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). This agreed deal will not affect the tax or the amounts raised from taxpayers for 2021-22 from MCIL or for the BRS – which in the latter case will be approved by a separate Mayoral Decision – but merely extend the period for which they are required to be used to finance and repay the GLA's Crossrail debt into the late 2030s. Under the agreement £500 million of the GLA's borrowing will be on a recourse basis and repayable in full under an agreed fixed repayment profile. The remaining £325 million is on a non-recourse basis and its repayment is conditional on sufficient BRS and MCIL revenues being available to allow this.

2.16 In addition, the GLA is due to make the final instalment in 2021-22 of its £1 billion contribution towards the Northern line extension to Nine Elms and Battersea Power Station which is due to open by the end of 2021. Due to the current economic uncertainty there is a material risk that the revenues from business rates growth and developer contributions from the local designated area could be insufficient to meet the GLA's capital financing costs for both 2020-21 and 2021-22. Plans are being developed to meet this risk until such time as sufficient revenues are received.

2.17 The GLA is estimated to incur £182.3 million of capital financing costs in 2021-22 of which £177 million relates to these two schemes. Any changes as a result of updated financing and revenue information relating to these two projects, including specifically the recently announced Crossrail funding deal, will be reflected in the Mayor's final draft budget.

Equalities

2.18 In line with the Mayor's 'Inclusive London' Equality, Diversity and Inclusion Strategy, the 2020-21 GLA: Mayor budget included a wide range of measures which had positive equalities outcomes, particularly for Londoners who face disadvantage, unfairness or discrimination. The 2020-21 budget process has been conducted with regard for this strategy, the requirements of the Equality Act and the outcomes agreed by the London Recovery Board (which has identified equality, diversity and inclusion as a cross-cutting priority). Accordingly, expenditure which will continue following the savings exercise which has positive impacts on equalities includes:

- significant commitments on affordable housing;
- continued delivery of an ambitious programme of work on rough sleeping;
- work with employers and others to ensure that London's economy is fair and inclusive;

- supporting skills development, including through the Adult Education Budget (AEB);
- giving young people the best chances by investing in London's further education sector and supporting a wide range of programmes across London through the Young Londoners Fund;
- programmes specifically aiming to reduce inequality and poverty, and tackle the specific barriers faced by some groups of Londoners;
- work to reduce health inequalities, in line with the Mayor's Health Inequalities Strategy; and
- identifying and implementing actions to make further progress in reducing gender and ethnicity pay gaps within the GLA.

2.19 In accordance with the PSED and the London Equality, Diversity and Inclusion Strategy, officers will continue to assess the likely impacts of the proposals set out in this draft budget on people with a protected characteristic as proposals are further developed and refined.

Environmental impact

2.20 Both the revenue budget proposals and the draft capital strategy and capital spending plan prioritise environmental matters to improve the built and wider environment. This reflects both the Mayor's aim for London to achieve net zero by 2030 and the central role of the environment in London's COVID-19 recovery programme, which incorporates an ambitious Green New Deal mission, as well as embedding environmental sustainability as a cross-cutting principle. The GLA's key environmental projects and initiatives, among others, include:

- tackling London's dangerously polluted air – including working with TfL to implement the extension of the Ultra Low Emission Zone – with the objective of London having the best air quality of any major world city by 2050;
- installing and retrofitting energy efficiency improvements and reducing carbon emissions from London homes, together with promoting clean, integrated, flexible and smart energy systems to decarbonise London more quickly and at lower cost;
- addressing inequalities in access to green space and helping adapt and respond to the climate and ecological emergency by greening London's public realm and built environment;
- delivering green infrastructure, including sustainable drainage, that manages flood risk and reduces urban heat;
- increasing the resilience of new and existing buildings through strong planning policy and water efficiency and ventilation measures;
- support the delivery of increased recycling and progress towards a circular economy;
- accelerating growth in the green economy through increased availability of green finance and wider support for innovation in the clean tech, waste and circular sectors; and supporting job creation, retention and skills development across sectors involved in greening London; and

- ensuring City Hall and all other GLA buildings maintain the highest environmental standards on heating, lighting and waste, and planning for the highest levels of environmental sustainability in the GLA's move to new premises at The Crystal.

Reserves

2.21 The Business Rates Reserve (BRR) is used primarily to manage business rates and council tax income risk and volatility. The new Savings Target Reduction Reserve established under Mayoral Decision (MD) 2695 in September 2020 is intended to provide for the 50 per cent reduction to the previously announced targets for 2020-21 business rates and council tax losses for the GLA: Mayor, Assembly, LFC and MOPAC budgets set out in the Mayor's original budget guidance.

2.22 It is estimated that the combined balance held on these two reserves will increase to £251.1 million by 31 March 2021 declining to £67.3 million by 31 March 2023. The closing balance at the end of 2020-21 reflects the transfers approved from the BRR in MD2695 and recent changes in secondary legislation which affect the basis for calculating levy and safety net payments and thus the GLA's retained business rates income for 2020-21. The planned reduction by March 2023 is primarily due to the impact of the three-year spreading required for 2020-21 council tax and business rates collection fund deficits as well as an assessment of the impact of the Government support schemes announced in the Spending Review on 25 November.

2.23 There is great uncertainty over the level of retained business rates income the GLA will receive in future years, even allowing for the losses arising from the COVID-19 pandemic, as outlined in section 1 and Appendix I. The Executive Director of Resources considers that the aspiration should be to restore the level of the Business Rates Reserve to a level that reflects the risks to future tax revenues, taking account of the actual level of support from the Government that will be forthcoming. As the precise level of Government support is unknown at the time of writing further advice will be submitted. However, the scale of this likely risk and expected losses in the short- to medium-terms means that the Business Rates Reserve will need to be rebuilt over a number of years.

2.24 The Strategic Investment Fund (SIF) reserve was created to manage the timing of the draw down of the additional business rates growth generated for the GLA under the 2018-19 and 2019-20 London business rates pilots. The reserve is forecast to be fully utilised by the end of 2021-22. The balance on the Mayoral Development Corporation Reserve (MDC) will be reduced from £16.5 million at the end of 2020-21 to £10.8 million by 2022-23. This reserve is ringfenced to support LLDC and OPDC, as a contingency held for any unexpected costs.

2.25 The GLA's general reserve will be maintained at £10 million until the end of the planning period. Reserves earmarked for GLA: Mayor services are forecast to be £189 million at the close of 2020-21 and reduce to £80 million by the close of 2022-23 reflecting the planned use of the reserves to support Mayoral priorities. The unused earmarked reserves at the end of 2022-23 includes balances relating to the Young Londoners Fund, Right to Buy interest receipts, the new Museum of London, directorate reprofiling, major events and the 2024 GLA elections.

2.26 The Capital Programme Reserve is forecast to have a balance of £21 million at the close of 2021-21 and reduce to £9 million by the close of 2022-23. The LLDC Capital Funding reserve estimated to be £170 million at the end of 2020-21 will be applied to provide funding to the development of East Bank and other LLDC capital schemes in 2021-22 and later years.

2.27 The table below shows the forecast movement in GLA reserves:

Movement in reserves during financial year	**Outturn 2019-20 £m**	**Forecast 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
Opening balances	711.2	736.5	692.2	387.1
Transfers to/from (-):				
Business Rates Reserve	-61.4	82.5	-92.6	-92.5
Savings Target Reduction Reserve	0.0	41.7	0.0	0.0
Mayoral Development Corporation Reserve	18.2	-4.9	-5.7	0.0
Reserves earmarked for GLA services	-9.9	-28.1	-95.6	-12.5
Capital Programme Reserve	0.7	-23.7	-6.6	-5.3
LLDC Capital Funding Reserve	19.2	24.4	-70.0	-32.4
Strategic Investment Fund	59.7	-137.0	-33.8	0.0
Assembly Reserve	-1.2	0.8	-0.8	0.0
General Reserve	0.0	0.0	0.0	0.0
Closing balances	**736.5**	**692.2**	**387.1**	**244.4**

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

Total reserves at end of financial year	**Outturn 2019-20 £m**	**Forecast 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
Business Rates Reserve	126.7	209.4	116.9	24.4
Savings Target Reduction Reserve	0.0	41.7	41.7	41.7
Mayoral Development Corporation Reserve	21.4	16.5	10.8	10.8
Reserves earmarked for GLA services	216.8	188.6	92.9	80.3
Capital Programme Reserve	44.9	21.2	14.6	9.4
LLDC Capital Funding Reserve	145.2	169.6	99.6	67.2
Strategic Investment Fund	170.9	33.8	0.0	0.0
Assembly Reserve	0.6	1.4	0.6	0.6
General Reserve	10.0	10.0	10.0	10.0
Closing balances	**736.5**	**692.2**	**387.1**	**244.4**

The GLA's published budget submission can be found here.

Greater London Authority: London Assembly

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

Key deliverables

3.2 The Assembly Secretariat supports the Assembly in:

- holding the Mayor to account;
- conducting investigations into issues of importance to Londoners;
- enabling Assembly Members to conduct their representative and constituency roles;
- raising its profile and enhancing its reputation among Londoners; and
- overseeing the work of London TravelWatch.

Revenue expenditure and council tax requirement

3.3 The Mayor is proposing that the Assembly's gross expenditure for 2021-22 is £7.0 million.

3.4 Deducting the retained business rates income results in the Mayor proposing a council tax requirement for the Assembly of £2.5 million in 2021-22. The indicative revenue budget for the Assembly, prepared by Assembly officers and finance staff, is set out in the table below on an objective basis.

Objective analysis Assembly	Revised Budget 2020-21 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Assembly Members	1.9	1.7	1.7	1.7
Member Services	2.4	2.2	2.0	2.0
Committee Services	0.8	0.6	0.7	0.7
Scrutiny	1.4	1.3	1.2	1.3
Assembly Communications	0.5	0.4	0.4	0.4
Director/Business Support	0.3	0.4	0.3	0.3
London TravelWatch	1.1	1.1	1.0	1.0
Net revenue expenditure	**8.4**	**7.7**	**7.3**	**7.4**
Transfer to/from (-) reserves	0.1	0.8	0.0	0.0
Savings to be identified	0.0	0.0	-0.3	-0.3
Financing requirement	**8.5**	**8.5**	**7.0**	**7.1**
Retained business rates	5.9	5.9	4.5	4.5
Council tax requirement	**2.6**	**2.6**	**2.5**	**2.6**

Explanation of budget changes

3.5 An analysis of the year on year movement in the Mayor's proposed council tax requirement for the Assembly compared to the revised budget for 2020-21 is set out below. An explanation of each change is provided in the paragraphs that follow.

Changes in the council tax requirement	**£m**
2020-21 council tax requirement	2.6
Changes due to:	
Net change in service expenditure	-1.1
Savings to be identified	-0.3
Change in use of reserves	-0.1
Decrease in retained business rates	1.4
2021-22 council tax requirement	**2.5**

Net change in service expenditure

3.6 Net expenditure is proposed to reduce by £1.4 million in 2021-22, compared to the level budgeted in 2020-21, to meet the financing requirement of £7.0 million. £1.1 million of this reduction will affect the establishment and operations of all units in the Assembly Secretariat and will be the subject of internal consultation processes in early 2021. There is a further £0.3 million savings to be identified.

Change in use of reserves

3.7 The 2020-21 Assembly budget includes a transfer to reserves of £0.1 million. There are no proposed transfers to or from reserves in 2021-22.

Decrease in retained business rates

3.8 The Mayor proposes to reduce the business rates allocation to the Assembly by £1.4 million compared to 2020-21, reflecting the lower level of business rates expected to be available to the Group in 2021-22.

Equalities and environmental impact

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

Mayor’s Office for Policing and Crime

4.1 The Mayor’s Office for Policing and Crime (MOPAC) works on behalf of Londoners to fund and hold the Metropolitan Police Service (MPS) to account, reduce crime and improve the provision of criminal justice services across the capital. MOPAC’s Police and Crime Plan sets out the Mayor’s strategy for policing and crime reduction over a two-year period from 2021-22 to 2022-23.

Key deliverables

4.2 The Mayor’s Police and Crime Plan - A Safer City for all Londoners, sets out five top priorities:

- a better police service in London;
- a better criminal justice service for London;
- keeping children and young people safe;
- tackling violence against women and girls; and
- standing together against hatred, extremism and intolerance.

4.3 The Police and Crime Plan was due to be refreshed this year, following the Mayoral elections scheduled for May 2020. However, the Government took the decision to postpone the elections by a year as a result of the COVID-19 pandemic and therefore the existing Police and Crime Plan 2017-21 will remain in force for an additional year.

4.4 Central to this is the Mayor’s Equality, Diversity and Inclusion Strategy, ‘Inclusive London’, which sets out key inequalities affecting the lives of Londoners. This strategy drives work on equality and inclusion, including race equality, with a range of projects, programmes and policies spanning education, health, civil society, as well as policing. Community engagement and advisory functions provide expertise on race equality to bring insight and shape to GLA work. These include the Mayor’s Equality, Diversity and Inclusion Advisory Group, the Migrant and Refugee Advisory Panel and civil society partner organisations.

4.5 The Mayor published his Action Plan in November 2020 to improve trust and confidence in the MPS and to address community concerns about disproportionality in the use of certain police powers affecting Black Londoners. The Mayor has committed, as part of the action plan, to invest £1.7 million to develop greater community involvement in police officer training and in the recruitment and progression of Black officers in the MPS. The MOPAC budget for 2021-22 incorporates £1.7 million of activity in relation to this Action Plan.

4.6 The Mayor's number one priority is the safety of Londoners and this is reflected in the apportionment of the savings that the GLA Group have been required to find, with the smallest percentage reductions in funding having been applied to MOPAC and the London Fire Commissioner. In the budget setting process, the Mayor has also recognised the importance of protecting vital work to tackle violence, which is undertaken by the Violence Reduction Unit (VRU), and MOPAC commissioning and these areas of work have been protected from making any of the savings applied across the GLA Group.

4.7 Furthermore, the Mayor is committed to delivering the MPS transformation programme. The transformation portfolio aims to deliver:

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

4.8 In February 2020, the Mayor's Violence Reduction Unit (VRU) was allocated an ongoing £5 million from 2020-21 onwards, to ensure that the VRU has the resources to continue leading the public-health approach to tackling the complex causes of crime. In 2020-21, the VRU also received £9 million of one-off growth funding from the Mayor to be profiled across three financial years in recognition of the importance of this area of work and the need for developing a long-term sustainable approach which underpins reducing serious youth violence, and to explore sustainable approaches towards violence reduction.

4.9 Since 2019-20, the Home Office have made available grant funding, from which the VRU successfully bid for £7 million over the past two years. As this funding has not yet been confirmed as continuing for future years, it is not included as an assumption in the budget. There is a significant impact on the VRU commissioning plans if Home Office funding is not forthcoming.

4.10 In 2020-21 the estimated cost of COVID-19 is c£50 million offset by a grant of £9.9 million in relation to medical grade PPE and expected lost income reimbursements of £7.3 million. The expected net cost for the 2020-21 is c£33 million. There has also been £6.8 million received for COVID-19 enforcement but this is directly attributable to the associated delivery and does not reduce the net costs. In addition to this there were COVID-19 costs of £5 million in 2019-20.

Responding to the London Recovery Board's missions

4.11 Together MOPAC and the MPS are committed to supporting the London Recovery Board's missions, which seek to restore confidence in the city, minimise the impact on London's most vulnerable communities and rebuild the city's economy and society – against the impact of COVID-19.

4.12 MPS delivery includes increased access to its services online (crime reporting and local information) to ensure it is accessible to Londoners and contactable in the way people prefer to use, in person, by phone or online, responding to the 'Digital Access for All' theme; safeguarding teams on all BCU's (Borough Command Units) and officers across London working directly on public protection, supporting victims of domestic abuse and children, contributing to 'A Robust Safety Net' theme; as well as Dedicated Ward Officers in each of London's wards who provide visible reassurance and an accessible point of contact, responding to the 'High Streets for All' theme.

Gross revenue expenditure

4.13 The Mayor is proposing a gross revenue expenditure budget for MOPAC of £3,989.8 million in 2021-22. The proposed budget is £123 million higher than the forecast 2020-21 outturn of £3,866.8 million and £93 million greater than the revised 2020-21 budget of £3,896.8 million.

Net revenue expenditure and council tax requirement

4.14 After deducting fees, charges, and other income, the use of reserves from MOPAC's gross revenue expenditure and its share of the estimated council tax collection fund surplus for 2020-21, the Mayor proposes that MOPAC's financing requirement for 2021-22 will be £3,559.2 million. The Mayor's proposed revenue budget for MOPAC is set out in the table below on an objective basis.

Objective analysis MOPAC	Revised Budget 2020-21 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Metropolitan Police Service				
Frontline Policing	1,330.2	1,402.4	1,384.0	1,524.4
Met Operations	839.7	856.9	815.0	806.1
Specialist operations	449.9	440.6	431.2	427.9
Corporate services	541.7	554.5	511.6	477.6
Professionalism	113.8	114.3	104.5	102.5
Total business groups	**3,275.3**	**3,368.7**	**3,246.3**	**3,338.5**
Discretionary pension costs	34.6	35.0	34.4	34.4
Centrally held	103.9	12.5	201.8	319.6
Capital financing costs	98.4	95.1	145.4	165.9
Total corporate budgets	**236.9**	**142.6**	**381.6**	**519.9**
Mayor's Office for Policing and Crime				
Victims Services and Crime Prevention	68.7	61.3	50.4	39.8
Oversight and Accountability*	7.1	6.6	7.5	7.6
Shared audit function	1.6	1.4	1.7	1.7
Total MOPAC	**77.4**	**69.3**	**59.6**	**49.1**
Violence Reduction Unit (VRU) **	19.7	18.8	12.1	10.2
Additional funding required	0.0	0.0	0.0	-248.6
Net revenue expenditure	**3,609.3**	**3,599.4**	**3,699.6**	**3,669.2**
Transfer to/from (-) reserves	25.3	34.2	-140.4	-87.5
Financing requirement	**3,634.6**	**3,633.6**	**3,559.2**	**3,581.8**
Specific grants	690.3	689.3	583.1	579.1
Retained business rates	118.7	118.7	27.9	28.5
Council tax collection fund surplus	10.0	10.0	0.0	0.0
Home Office Police Grant	2,048.5	2,048.5	2,181.3	2,181.3
Council tax requirement	**767.1**	**767.1**	**766.8**	**792.9**

*Management and oversight of public complaints was legally transferred to MOPAC from MPS in February 2020.
** No confirmation received that the Home Office will again provide grant funding to the VRU in 2021-22.

4.15 The budget for 2021-22 reflects the Mayor's proposed £15 increase in the policing element of the GLA's Band D council tax.

Explanation of budget changes

4.16 An analysis of the year on year movement in the Mayor's proposed council tax requirement for MOPAC compared to the revised budget for 2020-21 is set out below. An explanation of each change is provided in the paragraphs that follow.

Changes in the council tax requirement	**£m**
2020-21 council tax requirement	767.1
Changes due to:	
Inflation	36.0
Savings and efficiencies	-69.3
Net change in existing service expenditure	133.5
Change in use of reserves	-165.7
Net change in government grants and retained business rates funding	65.2
2021-22 council tax requirement	**766.8**

Inflation

4.17 The budget currently includes a provision for inflation of £36.0 million. This includes the full year effect of the 2020-21 pay increase for officers, PCSOs and staff. However, the Chancellor announced in the Spending Review that there would be a public sector pay freeze for 2021-22 and the budget therefore assumes no pay inflation for 2021-22.

Savings and efficiencies

4.18 For the 2021-22 provisional budget, MOPAC/MPS was required to find £131 million of savings and efficiencies, which comprises savings already identified in the February 2020 published budget of £50.2 million and new identified savings of £19.3 million, totalling £69.3 million as shown in the table above. In addition to this further savings of £63.8 million have been achieved during 2020-21, as required by the Mayor's Budget Guidance issued on 26 June 2020. Following the provisional police finance settlement, MOPAC/MPS now has a balanced budget for 2021-22.

4.19 In 2022-23 there is estimated to be a structural budget gap of £54.5 million. The Mayor and the Commissioner will continue to seek efficiency improvements and savings but given that around £886 million has already been delivered since 2013-14 it will be extremely difficult to find yet more savings and efficiencies.

4.20 For 2022-23, the structural budget gap of £54.5 million, combined with the gap in funding for the Police Officer Uplift programme (as shown at section 4.26 below) of £194.1 million, totals £248.6 million, the figure for the additional funding required as shown in the Objective Analysis table above.

Net change in service expenditure and income

4.21 The budget for 2021-22 proposes an £18.3 million net increase in service expenditure and income. This reflects a number of net movements, including the impact of increased officer numbers and the expenditure impact of the drawdown from reserves of the additional funding previously provided by the Mayor through retained business rates, to fund an additional 1,000 officers. The Mayor has also provided funding for a further 300 officers locally on an ongoing basis from police precept increases in prior years.

Change in use of reserves

4.22 In 2021-22 the budget proposes a £140.4 million use of reserves compared to the revised 2020-21 budgeted position at Quarter 2 of a £25.3 million transfer to reserves. The most notable drawdown is £59.3 million from the £118.6 million of retained business rates income paid in advance by the Mayor in 2019-20 to fund the additional 1,000 police officers until at least March 2023. There is also a £13.3 million drawdown to smooth the impact of the 2021-22 savings and £23.1 million for managing police officer numbers.

4.23 For 2022-23, there is a further £87.5 million planned use of reserves including the use of the reserves to fund the 1,000 officers outlined above.

Net change in Government grants and retained business rates

4.24 The Mayor is proposing that MOPAC will receive £27.9 million in funding via retained business rates in 2021-22; the majority of this funding reflects the policing share of historic council tax freeze grant which since 2016-17 has been allocated through retained business rates to the GLA through the local government finance settlement.

4.25 In addition, MOPAC is forecast to receive an increase of £132.7 million in Home Office core police grant when comparing the revised 2020-21 budgeted figure at Quarter 2 of £2,048.5 million to the assumed 2021-22 figure of £2,181.3 million. This includes £38.3 million of the total £160 million officer uplift funding received in 2020-21 for the additional 1,369 officers funded by the Home Office, which was previously included in specific grants in 2020-21 but is now expected to be paid through the core police grant.

4.26 The increase also includes £94.4 million for London's share of the national Police Officer Uplift programme, which represents approximately 1,370 (1,344 exclusively for the MPS) of the additional 6,000 officers across England and Wales.

4.27 The 2022-23 budgeted figures assume the recruitment of the remaining 3,287 officers to achieve the MPS target of 6,000 additional officers by the end of 2022-23 from the national 20,000 officer uplift programme. No amount has been included for additional Home Office funding for these additional officers, as the Government has not yet indicated funding levels for policing in 2022-23. This creates a funding gap of £194.1 million relating to the final tranche of the Police Officer Uplift programme.

4.28 There is a forecast decrease in specific grants of £106 million from £689.3 million in 2020-21 to £583.1 million in 2021-22. This reduction reflects the £38.3 million referred to above, which was previously shown as a specific grant but has now been rolled into core funding, as well as £20.1 million for Home Office surge funding and £7 million in Home Office funding for the VRU, neither of which the Government has confirmed will continue. The remaining movements relate to one-off grants in 2020-21, including £20.5 million for COVID-19 additional funding and £10.3 million for Counter Terrorism Policing Headquarters change programmes.

Equalities

4.29 Inclusive London, the Mayor's equality, diversity and inclusion strategy, includes a chapter on how the Mayor is helping to make London a safe, healthy and enjoyable city. This chapter includes the Mayor's objectives to reduce the disproportionate impact of crime on children and young people and other groups disproportionately likely to be victims of crime; to reduce differences in groups' perceptions of, and confidence in, policing and the criminal justice system (CJS); and to reduce inequality and disproportionate representation in the CJS.

4.30 Equality Impact Assessments (EIAs) have not yet been undertaken for each of the change proposals that are contained within this budget, but such assessments will be provided within each discrete decision. Those assessments will then be published as part of the decision-making process.

Environmental impact

4.31 The MPS Environment and Sustainability Strategy 2019-2021 has a series of objectives. These include ensuring compliance with legislation and managing emissions as well as supporting commitments under the London Environment Strategy. Many MOPAC activities contribute to achieving these objectives. Transforming the estate will lead to fewer buildings and greater energy efficiency. The Digital Policing Strategy will reduce the size of data centres and rationalise IT equipment, reducing energy usage. MOPAC will explore options for green energy providers and is already diverting over 95 per cent of office waste from landfill and aims to increase office waste recycling to the GLA target of a minimum of 65 per cent by 2030.

4.32 MOPAC's commitment to the air quality policies in the London Environment Strategy has ensured that the MPS's fleet based within the Ultra Low Emission Zone (ULEZ) is fully compliant, except for 31 protection vehicles, and will ensure the entire fleet is ULEZ compliant by 2023. These exceptions are agreed between the MPS and the Mayor through a Memorandum of Understanding. The fleet currently includes over 598 electric, hybrid or hydrogen vehicles. By 2025, the entire support fleet of 800 vehicles will be hybrid and from 2025 the MPS will seek to ensure that all new vehicles purchases are hybrid or electric.

Reserves

4.33 At 31 March 2021, MOPAC's general reserves are expected to total £67.5 million and these are forecast to reduce by £0.9 million in each of the following two financial years. It is forecast that MOPAC will hold £265.3 million of earmarked reserves at the close of 2021-22 and these reserves will fall to £178.7 million by the end of 2022-23. The expected movements in reserves over the planning period are set out in the following table.

Movement in reserves during financial year	**Outturn 2019-20 £m**	**Forecast 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
Opening balances	230.6	438.1	472.3	331.9
Transfers to/from (-):				
Earmarked reserves	190.5	30.3	-139.5	-86.6
General reserves	17.0	3.9	-0.9	-0.9
Closing balances	**438.1**	**472.3**	**331.9**	**244.4**

4.34 The expected total reserves at the end of each financial year are summarised in the following table. The unused earmarked reserves as at the end of 2022-23 include £178.7 million of funding that was put aside for activities in future years predominantly for Supporting One Met Model and local change as well as property works.

Total reserves at end of financial year	**Outturn 2019-20 £m**	**Forecast 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
Earmarked reserves	374.5	404.8	265.3	178.7
General reserves	63.6	67.5	66.6	65.7
Total	**438.1**	**472.3**	**331.9**	**244.4**

MOPAC's published budget submission to the Mayor can be found here.

London Fire Commissioner

5.1 The London Fire Commissioner (LFC) is responsible for fire and rescue services in London and supporting the London boroughs in their emergency planning role. It oversees the work of the London Fire Brigade (LFB).

5.2 LFC's Integrated Risk Management Plan (IRMP), known as the London Safety Plan, sets out how LFC will contribute to making London the safest global city. In summary, the Plan's key priorities are to:

- use resources in a flexible and efficient way, arriving at incidents as quickly as the Fire Brigade can;
- develop and train staff to their full potential, at the same time transforming the London Fire Brigade to ensure it is an employer of choice and that staff have the opportunity to influence how the Brigade works; and
- plan and prepare for emergencies that may happen and making a high quality, effective and resilient response to them.

Key deliverables

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

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

5.4 The publication of the Grenfell Tower Inquiry stage 1 report in October 2019 and Her Majesty's Inspectorate of Constabulary and Fire and Rescue Service's (HMICFRS) inspection in December 2019, set out a number of recommendations requiring urgent action from the LFB. In January 2020 the Commissioner published his Transformation Delivery Plan, setting out the strategy and priorities for the LFB. A Transformation Director has been appointed and a new Transformation Directorate created. The ongoing transformation of the Brigade will be a key element of the next IRMP.

5.5 The Hackitt Review and Grenfell Tower Inquiry have led to a greater understanding of the nature of the built environment in London, and the risks posed by it. Whilst the new legislative and regulatory environment remains under development by the Government, responding to these changes has resulted in a substantial resourcing commitment for the LFB, which is expected to continue in the medium term. This creates a resulting funding pressure, which will need to be addressed both by the Government as part of future Spending Reviews, and by the Brigade as part of the development of the next IRMP.

5.6 The COVID-19 pandemic has also had an unprecedented impact across the public sector in terms of demand, service delivery and economic consequences. Throughout the pandemic the LFB has provided essential services to London including collaborating with partners at the London Ambulance Service. The financial impact of COVID-19 has been closely monitored throughout the 2020-21 financial year and has also been considered during the 2021-22 budget process. COVID-19 continues to provide a level of uncertainty and its ongoing impact is being closely monitored.

Responding to the London Recovery Board's missions

5.7 The budget supports the London Recovery Board's missions, which seek to restore confidence in the city, minimise the impact on London's most vulnerable communities and rebuild the city's economy and society – against the impact of COVID-19 in the city. On a 'New Deal for Young People', the Brigade is helping to address this through engagement with over 200,000 children and young people annually across a range of schemes in all London Boroughs to raise awareness of fire and wider risks such as water and road safety. As part of the Fire Cadets programme, young people are mentored by volunteers who support the delivery. Young people who complete a Fire Cadets course then have the opportunity to come back and support new Fire Cadets.

5.8 The Brigade will also support 'Mental Health and Wellbeing' through ensuring that support, information and sources of help are always available to all of its employees so that their mental, physical and workplace health allows them to fulfil their roles in being trusted to serve and protect London. LFB will support 'Helping Londoners into Good Work' by including skills and employment requirements into contracts that exceed the estimate value thresholds for Services and Works, as set out in the skills model developed by TfL and adopted across the GLA Group.

Gross revenue expenditure

5.9 The Mayor is proposing an increase in the LFC's gross revenue expenditure of £10.1 million, from £479.2 million in the revised LFC budget for 2020-21 to £489.3 million in 2021-22, an increase of 2.1 per cent. There is a reduction compared to the forecast outturn for 2020-21 of £3.6 million.

Net revenue expenditure and council tax requirement

5.10 After deducting fees, charges, and other income from LFC's gross revenue expenditure the Mayor proposes that its net expenditure for 2021-22 before the use of reserves will be £448.1 million. Its financing requirement after the use of reserves is £425.1 million.

5.11 The Mayor is proposing a 1.99 per cent increase in the non-policing element of the Band D GLA council tax charge in 2021-22. The additional income generated as a result of this increase will be allocated in full to the LFC, reflecting the need to address the additional funding pressures faced by the LFB in future years. Nevertheless, as a result of the expected fall in the council taxbase, the council tax requirement for the LFC is currently expected to decrease from £168.6 million in 2020-21 to £163.7 million in 2021-22.

5.12 The Mayor's proposed revenue budget for LFC is set out in the following table on an objective basis.

Objective analysis London Fire Commissioner	Revised Budget 2020-21 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Community safety	41.1	41.0	39.5	38.2
Firefighting and rescue	375.9	374.0	376.9	377.6
Firefighters' pensions	22.2	22.5	22.0	22.2
Emergency planning and London Resilience Team	1.2	1.2	1.1	1.1
Central services	0.1	0.1	0.2	0.2
Savings to be identified	0.0	0.0	0.0	-8.2
Net service expenditure	**440.5**	**438.8**	**439.7**	**431.2**
Capital financing costs	8.0	8.7	9.0	11.7
External interest receipts	-0.6	-0.6	-0.6	-0.6
Net revenue expenditure	**447.9**	**446.9**	**448.1**	**442.3**
Transfer to/from (-) reserves	-13.2	-10.3	-23.0	-5.5
Financing requirement	**434.7**	**436.6**	**425.1**	**436.9**
Specific grants	33.2	35.1	33.3	33.3
Retained business rates	232.9	232.9	228.1	232.7
Council tax requirement	**168.6**	**168.6**	**163.7**	**170.9**

Explanation of budget changes

5.13 An analysis of the year on year movement in the Mayor's proposed council tax requirement for LFC, compared to the Mayor's revised budget for LFC in 2020-21 is set out below. An explanation of the year-on-year changes is provided in the paragraphs that follow.

Changes in the council tax requirement	£m
2020-21 council tax requirement	168.6
Changes due to:	
Inflation	8.6
Savings and efficiencies	-4.2
Net change in service expenditure and income	-4.2
Change in use of reserves	-9.8
Net Change in Government grants and retained rates	4.7
2021-22 council tax requirement	**163.7**

Inflation

5.14 The budget includes a provision for inflation of £8.6 million. This includes £2 million of contractual inflation and £6.6 million of inflation relating to budgeted staff pay awards. The latter is to be reviewed in light of the Chancellor's Spending Review announcement on the proposed public sector pay freeze in 2021-22, and developments in national pay negotiations.

Savings and efficiencies

5.15 The budget incorporates planned savings and efficiencies of £4.2 million.

Net change in service expenditure and income

5.16 The budget includes an £4.2 million change in service expenditure and income. This includes an increase in capital financing costs of £1 million, pressures and takes account of the additional budget savings required in 2020-21. The increases in service expenditure in 2021-22 will be met from the LFC reserves, with the intention that the budget gap from 2022-23 will be considered as part of the next IRMP.

Change in use of reserves

5.17 The budget proposes a net increase in the transfer from reserves of £9.8 million, reflecting the additional use of the budget flexibility reserve.

Net change in Government grants and retained rates

5.18 The Mayor is proposing that LFC will receive £228.1 million in funding via retained business rates in 2021-22; in addition, LFC is forecast to receive £33.3 million of specific government grants. Together this equates to a net £4.7 million decrease in funding received from these two sources. Specific grants are assumed to remain at the same level in 2022-23. The specific grant figure in both years includes firefighters pension grant of £21.7 million, in the absence of clarity from Government about how this will be treated in future funding settlements.

Equalities

5.19 The London Fire Brigade (LFB) continues to work closely with the GLA Group on the implementation of the Mayor's equality, diversity and inclusion strategy and commitment to economic fairness. Following cross-organisational consultation and engagement, the Brigade launched its new inclusion strategy, the 'Togetherness Strategy' on 1 July 2020. Embedded within this strategy are commitments to increasing capability and capacity of the organisation to embed equality considerations into all elements of decision making.

5.20 The requirement for each budget proposal to undergo an Equality Impact Assessment was communicated to all Heads of Department as part of the LFB budget guidance. This included specific instructions setting out the LFB's obligations under the Equality Act and Public Sector Equality Duty, with guidance to support them to complete Equality Impact Assessments (EIAs) on relevant proposals. In addition, an EIA has been undertaken on the proposals which have a direct impact on staff (fewer than 10) who are in positions which are at risk of deletion.

5.21 The Inclusion Team has been consulted, and work will continue to ensure EIAs are conducted and reviewed particularly where savings proposals identify impacts which require mitigation or justification.

Environmental impact

5.22 LFC's budget submission has been reviewed for sustainability and environmental implications. The LFC will continue to monitor performance through the ISO 14001-certified Environmental Management System that covers the functions of the LFB and published Sustainable Development Annual Reports. The LFC's budget proposals include allocations and growth proposals that will support the LFC's commitments under the London Environment Strategy. This includes implementing responsible procurement, reducing waste, reducing CO2 emissions, adapting to climate change, improving air quality, and increasing London's green cover.

Reserves

5.23 At 31 March 2021, LFC's general reserves are expected to total £15.6 million and are forecast to remain at the same level until at least March 2023.

5.24 It is forecast that LFC will hold £53.4 million of earmarked reserves at the close of 2020-21; these reserves are forecast to reduce to £24.9 million by the end of 2022-23, as the budget flexibility reserve is fully drawn down. The expected movements in reserves over the planning period are set out in the table below.

Movement in reserves during financial year	**Outturn 2019-20 £m**	**Forecast 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
Opening balances	75.4	79.3	69.0	46.0
Transfers to/from (-):				
Earmarked reserves	5.7	-4.5	-23.0	-5.5
General reserves	-1.8	-5.8	0.0	0.0
Closing balances	**79.3**	**69.0**	**46.0**	**40.5**

5.25 The expected total reserves at the end of each financial year are summarised below. These amounts are expected to the utilised over the medium term, but the exact timing is still to be confirmed. The actual call on these reserves will be reviewed over the planning period.

Total reserves at end of financial year	**Outturn 2019-20 £m**	**Forecast 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
Earmarked reserves	57.9	53.4	30.4	24.9
General reserves	21.4	15.6	15.6	15.6
Total	**79.3**	**69.0**	**46.0**	**40.5**

LFC's published budget submission to the Mayor can be found here.

Transport for London

6.1 Transport for London (TfL) is responsible for the planning, delivery and day-to-day operation of the capital's public transport system, including London's buses, London Underground and Overground, the Docklands Light Railway (DLR), London Tram and London River Services. It is also responsible for managing the congestion charge, ultra-low emission zone, low emission zone, maintaining London's main roads and traffic lights, regulating taxis and private hire vehicles, making London's transport more accessible and promoting walking and cycling initiatives.

Key deliverables

6.2 The key deliverables over the next year include:

- capital investment of £2.8 billion, including renewals, line upgrades and contributions to Crossrail, including Elizabeth line trains and enabling works;
- investing significant amounts in continuing the extensive cleaning regime introduced at the start of the pandemic to ensure the transport network is cleaner than ever before and keeping customers and staff safe. Other measures to keep people safe include social distancing signage and the mandatory wearing of face coverings. These will continue in line with Government policy;
- continuing the electrification of London Buses, which with currently 380 zero emission buses is one of the largest electric fleets in Europe, so that all are zero-emission by 2037 at the latest. TfL will also work with bus operators to implement a world-leading Bus Safety Standard, including all new buses purchased from August 2019 requiring Intelligent Speed Assistance as standard;
- continuing to optimise the bus network in response to changing demand, and TfL and partner authorities' plans for other modes. In outer London, service volume will grow by six million kilometres by 2022-23 compared to pre-pandemic levels in 2019-20. In Inner London, where there are more sustainable alternatives and many instances of bus congestion, TfL will reduce the network in a targeted way by removing excess capacity on some routes;
- driving forward the Vision Zero action plan to eliminate deaths and serious injuries on London's roads, through the delivery of more Safer Junctions, continued rollout of 20mph speed limits, enhanced policing and enforcement, and ensuring safety is at the heart of all projects undertaken;
- helping to clean up London's toxic air quality by toughening the Low Emission Zone (LEZ) standards for heavy vehicles in March 2021 and, in October 2021, expanding the ULEZ - the toughest air quality standard of any city in the world - to cover all roads within the North and South Circular roads;
- delivering a world-leading road incident management system expected to launch in March 2022;

- a material year-on-year increase in funding for renewal of borough roads and bridges. Following the long-term capital plan review TfL is allocating £40 million to these crucial structures, and will award funding to those structures most in need of repair; and
- borough funding for the Local Implementation Plan (LIP) programme is retained at the same level as agreed in last year's plan, however any future schemes are dependent on TfL's ability to secure a sustainable funding solution.

Responding to the London Recovery Board's missions

6.3 Despite the significant operational and financial challenges faced throughout the year, TfL has continued to prioritise investment to ensure it maintains a safe and reliable network. In addition to this, it is progressing a number of schemes which contribute to London's recovery with a particular focus on three of the nine recovery missions: A Green New Deal, High Streets for All and Healthy Food, Healthy Weight. TfL's existing work around active travel, improving connectivity and initiatives such as Low Traffic Neighbourhoods will also support the objectives of the remaining missions.

6.4 A large proportion of TfL's core and strategic investment already supports the missions. For example, TfL invested £55 million in the first half of 2020-21 on Active Travel initiatives, including Streetspace which saw the delivery of more than 66km of new cycle lanes, 180 pedestrian spaces, 88 Low Traffic Neighbourhoods and 322 school streets - with a similar amount planned for the second half of 2020-21. This activity enhanced public safety and health, helped to protect against a car led recovery and encouraged more active and healthy lifestyles across London, contributing to the Green New Deal and Healthy Food, Healthy Weight missions. In addition, the London Streetspace Programme has reallocated over 22,500 square metres of highway to pedestrians over 30 sites, including some of London's busiest high streets. These changes are helping Londoners safely visit local high streets and will also help support local economies.

6.5 On the Green New Deal, TfL's budget continues the electrification of London buses, already the largest electric fleet in Europe with 380 electric buses, improving London's air quality and promoting a green recovery. TfL's budget includes assumptions for the tightening of the Low Emission Zone standards from March 2021, and the expansion of the Ultra Low Emission Zone in October 2021 which will improve air quality along some of the most polluted routes of London.

6.6 A safe, reliable, and affordable transport system is at the heart of our city and as a result transport is regarded by the GLA as a Recovery Foundation. While there are clear and explicit programme links to some missions, TfL's work more broadly to provide a good public transport experience, unlock good growth across the city, and enable healthy and active travel will support all of the missions. For example, TfL's budget also continues step-free access schemes across the London Underground network, having recently completed Mill Hill East and Cockfosters station, and with work underway to deliver a further seven step-free stations by the end of 2021, ensuring TfL's network becomes more accessible to more individuals. Another example is TfL's housing programme , which will see progression during 2021-22 including construction commencing at Bollo Lane (850 homes) and an anticipated planning approval for Arnos Grove (162 homes), as part of its plans to deliver 10,000 new homes, 50 per cent of which will be genuinely affordable homes.

Gross revenue expenditure

6.7 TfL's Gross revenue expenditure in 2021-22 is proposed to increase by £414.6 million to £7,525.8 million compared to the latest forecast outturn for 2020-21 of £7,111.2 million. This is as a result of new initiatives – including ULEZ expansion in October 2021 and activities related to the future opening of the Elizabeth line – and inflationary pressures, as well as non-repeatable savings made from running fewer services at the height of the pandemic. The proposed budget is also £373.5 million higher than the revised budget for 2020-21 of £7,152.3 million.

Net revenue expenditure and council tax requirement

6.8 The pandemic has exposed TfL's reliance on covering its operating costs from fare revenue (72 per cent) compared to similar transport authorities in other major cities. TfL expect passenger journeys to only return to 80 per cent of pre-pandemic forecasts by the end of 2021-22 and throughout 2022-23. The delay in the opening of the Elizabeth line to the first half of 2022 means the consequent uplift in passenger income will begin later than previously modelled.

6.9 In 2021-22, TfL expect ridership to grow from around 40 per cent to 80 per cent by the end of the year as coronavirus restrictions are slowly lifted. This results in a loss of passenger income of £2,136.4 million compared to last year's plan. Therefore, after deducting passenger and commercial income, fees, charges, other income and its planned use of reserves, the Mayor proposes that TfL's net service expenditure for 2021-22 is £2,983.6 million. An analysis of the revenue budget by service area is summarised on the table below.

6.10 The Mayor proposes, as a result of the pandemic, that TfL's council tax requirement for 2021-22 will increase from £6.0 million to £49.2 million and the revenue element of retained business rates allocated would reduce to £773.7 million from £893.9 million. The balance of its net revenue expenditure is assumed to be financed by £3,023.2 million of extraordinary grant income to come predominantly from the Government.

6.11 The funding agreement for the second half (H2) of 2020-21, reached between the Department for Transport and the Mayor, required the Mayor to raise additional income to meet the 2021-22 costs of London-specific transport concessions. TfL forecasts that the cost of relevant travel concessions for 2021-22 is between £110 million and £130 million. The proposed council tax increase will raise in the region of £43.2 million, leaving between £67 million and £87 million to be covered by projected Congestion Charge income. Temporary changes to the scope and level of the Congestion Charge were brought forward in June 2020 in accordance with the Government funding settlement for TfL in May 2020. TfL continues to keep these temporary changes under review but it seems likely that they will need to be in place for the first six months or so of the 2021-22 financial year owing to the ongoing impact of the pandemic, and to ensure people return to public transport and not the car as restrictions are eased. Any decision to implement these changes on a more permanent basis would be subject to an impact assessment, consultation and mayoral decision.

6.12 The nature and extent of the extraordinary grant funding required will depend on Mayoral and Government decisions, as well as how the Government proposes to implement various schemes it has announced to assist local authorities in managing council tax and business rates losses. The extraordinary grants included in the table below are subject to negotiation with the Government, including regarding the Financial Sustainability Plan submitted by TfL to the Department for Transport in January 2021, as required under the Extraordinary Funding and Financing Agreement reached with the Department for Transport on 31 October 2020. Other specific grants are forecast to reduce by £36.1 million in 2021-22 TfL compared to the 2020-21 revised budget due to the loss of one-off benefits in 2020-21 from the Government's Coronavirus Job Retention Scheme.

6.13 From January 2021, this plan assumes that fares increase by the July 2020 retail price index plus one per cent (total 2.6 per cent), helping to support vital investment in public transport. Whilst this level of fares rise is assumed to continue throughout the life of the plan, TfL fares are set by the Mayor on an annual basis. The table below sets out TfL's budget on an objective basis.

Objective analysis TfL	Revised Budget 2020-21 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Income				
Passenger income	-1,315.3	-1,480.1	-3,275.6	-4,559.1
CC, LEZ & ULEZ income	-354.0	-408.0	-762.9	-1,157.5
Other income	-318.4	-325.6	-411.3	-477.1
Elizabeth line regulatory income	0.0	0.0	-69.6	-338.4
Interest income	-4.5	-5.0	-1.2	-1.6
Subtotal income	**-1,992.2**	**-2,218.7**	**-4,520.6**	**-6,533.7**
Operating costs				
London Underground	2,071.8	2,075.3	2,164.9	2,118.4
Buses/Streets/Other Surfaces	2,804.6	2,821.7	2,958.3	3,173.1
Rail	476.0	465.2	498.2	546.5
Elizabeth line	337.7	337.0	432.0	457.6
Elizabeth line Regulatory charge	0.0	0.0	69.6	338.4
Other Operations	963.5	916.0	847.2	821.5
Property Development	38.0	38.4	45.1	46.1
Subtotal operating costs	**6,691.6**	**6,653.6**	**7,015.3**	**7,501.6**
Other				
Third-party contributions	-35.9	-34.4	-22.9	-19.2
Debt servicing	460.7	462.6	511.8	507.1
Subtotal other	**424.8**	**428.2**	**488.9**	**487.9**
Net service expenditure	**5,124.2**	**4,863.1**	**2,983.6**	**1,455.8**
Revenue resources used to support capital investment*	-399.4	-643.9	959.0	776.7
Transfer to/(from) reserves	-911.2	-648.5	-83.9	329.5
Financing requirement	**3,813.6**	**3,570.7**	**3,858.7**	**2,562.0**
Specific grants	48.7	81.8	12.6	13.8
Retained business rates	893.9	893.9	773.7	787.2
Extraordinary grant	2,865.0	2,589.0	3,023.2	1,711.2
Council tax requirement	**6.0**	**6.0**	**49.2**	**49.8**

*Funded by reserves and extraordinary grant

Explanation of budget changes

6.14 An analysis of the year-on-year movements in the council tax requirement compared to the revised budget for 2020-21 is set out below. An explanation of each change is provided in the paragraphs that follow.

Changes in the council tax requirement	**£m**
2020-21 council tax requirement	6.0
Changes due to:	
Inflation	131.6
Savings	-100.5
Passenger and commercial revenue and other income	-2,528.3
Net change in service expenditure, excluding inflation and savings	305.6
Net change in revenue resources used to support capital investments	1,358.3
Extraordinary grant	-158.2
Debt Servicing	51.1
Government and other revenue funding	156.2
Change in use of reserves	827.4
2021-22 council tax requirement	**49.2**

Inflation

6.15 The Budget proposes that net costs will increase by £131.6 million as a result of inflation. This represents 2.0 per cent of operating costs and is line with UK inflation forecasts. TfL's savings programme aims to offset the impact of inflation as much as possible, maintaining like-for-like operating costs broadly at the previous year's levels.

Savings and efficiencies

6.16 The total savings and efficiencies which have been identified by TfL for 2021-22, compared to the 2020-21 budget total £100.5 million and are summarised below. The figures are presented on an incremental basis and do not include any savings still to be identified. These savings, all of which deliver cashable benefits, are embedded in the divisions, as summarised below.

6.17 London Underground are budgeting to deliver additional savings of £73.7 million in 2021-22 through their modernisation plan:

- improving the way maintenance activities are planned, enabling better value from the supply chain; and
- examining how maintenance work is carried out, ensuring that ways of working are safe, as well as more efficient, though better use of data and technology.

6.18 Surface Transport – Buses, Streets and Other Operations, and Rail – are forecast to deliver £24.8 million of new incremental savings in 2021-22:

- commercial savings on the bus network through negotiated revised contracts providing better value; and
- savings on Rail through working up more efficient activity plans and performance with contractors for next year, making savings for both contractor and TfL.

Passenger and commercial revenue and other income

6.19 Passenger, commercial and other income (including interest income) is estimated to increase by £2,528.4 million, from £1,992.2 million in the revised budget for 2020-21 to £4,520.6 million in 2021-22. To illustrate the uncertainty around how travel patterns may recover to pre-pandemic levels, TfL has developed five different passenger travel models using consistent assumptions which shows a range of +/- £500 million. The central scenario in this plan assumes a winter 2020 lockdown and then a cautious growth in travel in line with the recovery seen through summer 2021, but with no further lockdowns.

Net change in operating expenditure

6.20 The net change in operating expenditure, excluding inflation and savings is an increase of £305.6 million, as a result of new initiatives – including the ULEZ expansion in October 2021 and activities related to the planned opening of the Elizabeth line. The plan for 2021-22 fully covers the cost of debt servicing allowing for the transfer of revenue resources to support the capital plan.

Net change in revenue resources to support capital expenditure

6.21 Due to the significant COVID-19 impacts on the investment programme in 2020-21, grant funding was in surplus to requirements of the capital programme by £399.4 million in the year, with BRR Capital and Extraordinary Grant utilised to support the operating account. In 2021-22, this position reverses and the operating account provides a level of support to the value of £959 million for the capital programme as a catch up of investments and capital renewals occurs in this year. The overall movement is £1,358 million.

Debt servicing

6.22 Debt servicing costs are proposed to increase by £51.1 million in 2021-22 compared to the revised 2020-21 Budget owing to a £35.0 million Crossrail borrowing repayment commencing in 2021-22 and £16.1 million interest costs from £1,352 million of net incremental borrowing undertaken in 2020-21, partially offset by lower interest costs on refinanced debt. No new borrowing is planned for 2021-22 and 2022-23.

Other revenue grants and business rates

6.23 Overall income from other grants is budgeted to decrease by £36.1 million in 2021-22 compared to the revised 2020-21 Budget. This is primarily due to a one-off allocation received from the Government through the Coronavirus Job Retention Scheme in 2020-21.

6.24 Subject to the impact of the billing authority forecasts due in late January 2021 and decisions around funding for concessionary fares, the assumption for the purposes of this Budget is that the Mayor would allocates a total of £1,753.1 million to TfL in 2021-22, comprising of funding from the Mayor's council tax precept of £49.2 million and business rates funding of £1,703.9 million. Of the £1,703.9 million business rates funding the Mayor proposes to allocate £773.7 million to the operating account, as shown in the objective analysis table above and £930.2 million for capital expenditure, shown in the draft capital plan in Appendix D. Funding received under the business rates retention scheme can be used to cover operating and financing costs and capital expenditure at the Mayor's discretion. The business rates allocated in this plan is fully indexed from 2020-21 in line with September CPI.

Equalities

6.25 TfL's obligations in equalities legislation, the Mayor's Transport Strategy and Inclusive London form the basis of TfL's work on inclusion, diversity, equality and accessibility. They set out a bold and ambitious vision for maximising the opportunities available to Londoners, whilst also building stronger, thriving and connected communities by making London more accessible and inclusive.

6.26 TfL's plans are underpinned by a commitment to inclusion, diversity, equality and accessibility, which will be set out in a statement of intent in early 2021.

- this will build on TfL's existing customer facing work and TfL's Action on Equality strategy;
- it will have a short-term focus, recognising current workforce and customer diversity and inclusion challenges;
- it will consider the social impacts of the pandemic, how TfL has responded and ambitions for an inclusive recovery, to enable a conversation with stakeholders and Londoners;
- it will set out how TfL will be actively anti-racist as an organisation and ensure its workforce becomes more representative of Londoners at all levels through diverse recruitment and inclusive leadership, cultures, systems and behaviours; and
- it will ensure considerations around inclusion are at the very heart of decision-making. The statement of intent will be underpinned by a more detailed diversity and inclusion programme plan with metrics focused on closing the gaps in outcomes between minority groups and others.

6.27 The TfL Scorecard provides measures for tracking progress against key priorities including reducing the existing inclusion disparity gap. During 2020-21 TfL has implemented two scorecards – one during the first half of the year and another in the second half. This reflects the rapidly changing environment – but TfL's main focus as always, is the safety of its customers, staff and supply chain.

Environmental impact

6.28 TfL is committed to investing in initiatives which reduce emissions of air pollutants and greenhouse gases from all transport sources in London. They are also undertaking actions to increase the resilience of transport to the impacts of climate change and deliver increased green infrastructure across the transport network.

6.29 The Ultra-Low Emission Zone (ULEZ) came into effect in central London in April 2019 and has had a significant impact in air quality in its first 18 months of operation. From the 1 March 2021, TfL will toughen the Low Emission Zone (LEZ) standards for heavy vehicles so that they are required to meet Euro VI standards to travel in the zone or pay a daily charge.

6.30 TfL are committed to reducing air pollution from the bus fleet. By the end of December 2020, 100 per cent of the core bus fleet (excluding additional school buses) was Euro VI compliant. TfL have one of the largest electric bus fleet in Europe, with 380 electric buses. They will introduce more zero-emission buses over the budget period as part of the Mayor's ambition for a zero-emission bus fleet no later than 2037.

6.31 TfL will ensure that all new cars and vans (less than 3.5 tonnes) in TfL's support fleet, are zero emission capable (ZEC) from 2025, in line with commitments in the London Environment Strategy for vehicles in the GLA Group fleet.

6.32 TfL will also continue to assist taxi owners in making the transition to cleaner vehicles, through ZEC taxi vehicle grants, providing the necessary electric charging infrastructure to support the switch to zero emissions, as well as delicensing payments to reduce the number of polluting vehicles, helping to reduce harmful NOx emissions from the taxi sector.

6.33 TfL will reduce operational carbon emissions to meet the carbon budgets set out in the London Environment Strategy, through measures to improve energy efficiency and increasing the volume of renewable energy that TfL consume. As part of the Group-wide collaboration programme on energy, TfL will work alongside the GLA and other Functional Bodies to launch a process to collectively source renewable power via direct contracts with renewable energy developers. TfL is aiming to reduce waste, including single use plastics, and support the LES target of a 65 per cent municipal waste recycling rate.

Reserves

6.34 At 31 March 2021, general reserves are expected to total £500.0 million and are budgeted to remain constant at the same level in each of the following financial years.

6.35 It is forecast that TfL will hold £348.0 million of earmarked reserves at the close of 2020-21; these reserves will rise to £799.0 million by the end of 2022-23. Earmarked reserves have been established to finance future projects. TfL maintains a general fund to preserve adequate liquidity and protect from short term fluctuations in cash requirements.

6.36 The expected movements in reserves over the planning period are set out in the following table.

Movement in reserves during financial year	Outturn 2019-20 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Opening balances	1,606.5	1,580.7	848.0	1,120.0
Transfers to/from (-):				
Earmarked reserves*	-375.8	-732.7	272.0	179.0
General reserves	350.0	0.0	0.0	0.0
Closing balances	**1,580.7**	**848.0**	**1,120.0**	**1,299.0**

*The Appendix H movement in reserves reports revenue movements only whereas the table above includes capital drawdowns.

6.37 The expected total reserves at the end of each financial year are summarised in the following table. The unused earmarked reserves as at the end of 2022-23 include funding that is being put aside for TfL's Investment Programme.

Total reserves at end of financial year	Outturn 2019-20 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Earmarked reserves	1,080.7	348.0	620.0	799.0
General reserves	500.0	500.0	500.0	500.0
Total	**1,580.7**	**848.0**	**1,120.0**	**1,299.0**

TfL's published budget submission to the Mayor can be found here

London Legacy Development Corporation

7.1 The London Legacy Development Corporation (LLDC) is responsible for promoting and delivering physical, social, economic and environmental regeneration in Queen Elizabeth Olympic Park (QEOP) and surrounding area. LLDC is a Mayoral Development Corporation (MDC). In particular, LLDC aims to maximise the legacy of the Olympic and Paralympic Games, by securing high-quality sustainable development and investment, ensuring the long-term success of the facilities and assets within its direct control and supporting and promoting the aim of increased social mobility in surrounding communities.

7.2 Since the London 2012 Olympic and Paralympic Games, LLDC has delivered the transformation of the Park and venues from their Olympic to their legacy configuration. LLDC also works in partnership to bring forward regeneration schemes and housing to further the transformation of east London enabled by the London 2012 Games. Two such housing schemes are under contract and in progress, one at Chobham Manor and one at East Wick and Sweetwater. Further work includes delivering East Bank, a new cultural and educational centre, new social and transport infrastructure, and working with the host boroughs and other partners to create economic opportunity and support local people and businesses, as they seek to access it.

Key deliverables

7.3 During 2021-22 the LLDC's revenue and capital budgets will be deployed to deliver its objectives, which include:

- continuing construction of East Bank Stratford Waterfront cultural and educational buildings to programme;
- Chobham Manor development construction completed (phases 3 and 4);
- East Wick and Sweetwater phase 1 construction completed; delivery for later phases agreed and construction commencing;
- developer selected for Stratford Waterfront and Bridgewater residential development; joint venture established;
- Hackney Wick Neighbourhood Centre design and Planning completed; commencement of construction;
- continuing Stadium operations including football, summer concerts and athletics and work towards improving its financial sustainability, including commercial opportunities;
- managing and maintaining the quality and safety of the Park and venues, including retaining Green Flag status, making adjustments in line with any changes to guidelines relating to COVID-19 and attracting visitors in line with those restrictions;
- supporting safe delivery of major events including the Rugby League Wheelchair World Cup;
- continuing to deliver the QEOP 'East Works' jobs and skills programme;

- successfully operating the Good Growth Hub, the physical facility to consolidate and scale the East Works;
- supporting the Mayor's agenda for ensuring that GLA Group organisations are inclusive and diverse; and
- opening the proposed High Ropes visitor attraction.

Responding to the London Recovery Board's missions

7.4 LLDC's work supports the Recovery Board's missions in a number of areas. Its drive to create an inclusive innovation district has seen QEOP host trials for driverless vehicles, e-scooters and cargo-bike deliveries. Its sports programming is aimed at engaging young people in a wide range of physical activities and its skills and employment programmes are helping provide young people with the skills to compete for opportunities in the emerging tech and creative sector. The soon-to-open Good Growth Hub will deliver pre-employment boot camps, technical skills training, higher education bursaries, paid internships and placements as well as business support and inclusive training for employers. The quality parklands provide the space and environment to benefit health and well-being – both physical and mental. Five new neighbourhoods will be created on QEOP, including a new centre in Hackney Wick to provide the hubs to support local groups and cohesive communities. A network of Park volunteers supports all visitors to the Park providing a mobility service alongside advice and information.

7.5 The continued investment in local people, creating new homes and jobs is vital to London's response to the pandemic signalling the confidence that exists in London's successful economic recovery. The sporting venues play host to some of the biggest international sports events keeping the world's attention on the capital and attracting international visitors. The new museums, theatres and music studios at East Bank will help to reinforce the Park as a must-visit part of the capital while its universities and businesses will help drive further investment into the emerging innovation sector attracting businesses large and small to locate in this part of London, supported by the large pool of skilled and talented young people that exists in east London. All this activity will support the creation of jobs in an area badly impacted by COVID-19.

Gross revenue expenditure

7.6 Gross revenue expenditure in 2021-22 for the LLDC is budgeted to be £58.8 million including estimated capital financing costs of £11.8 million and Stadium funding of £11.8 million. The gross expenditure has decreased by £7.5 million from the 2020-21 revised budget due to savings that have been identified in line with the Mayor's Budget Guidance and is £2 million higher than the forecast outturn for 2020-21.

Net revenue budget and council tax requirement

7.7 Net revenue expenditure in 2021-22 is budgeted to be £38.6 million or £31.9 million net of financing costs and reserve transfers. This has decreased by £7.3 million from the 2020-21 revised budget and is summarised on an objective basis in the following table. This analysis includes additional funding towards the net impact arising from LLDC's response to COVID-19.

Objective analysis LLDC	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Park Operations and Venues	9.8	9.2	9.7	9.9
Trading	9.9	9.4	9.3	9.3
Developments	0.1	0.0	0.0	0.0
Regeneration	2.9	2.5	2.6	2.5
Corporate	11.0	9.9	10.1	10.8
Planning Authority	3.1	3.1	2.8	2.4
Stadium	16.6	10.9	11.8	11.1
Contingency	1.1	0.9	0.7	0.4
Financing costs	11.8	10.9	11.8	14.0
Income/savings to be identified	0.0	0.0	0.0	-4.3
Total expenditure	**66.3**	**56.8**	**58.8**	**56.1**
Park Operations and Venues	-4.0	-3.5	-4.7	-4.7
Trading	-9.0	-7.4	-8.0	-8.5
Developments	-0.2	-0.1	-0.6	-0.7
Regeneration	-0.1	-0.1	-0.1	-0.1
Corporate	-0.4	-0.4	-0.3	-0.7
Planning Authority	-1.6	-1.7	-1.4	-1.2
Total income	**-15.3**	**-13.2**	**-15.1**	**-15.9**
Transfer to/ (from) MDC reserve	-6.6	3.0	-5.1	0.0
Net expenditure	**44.4**	**46.6**	**38.6**	**40.2**
Retained business rates*	32.6	35.7	26.8	26.2
GLA funding for financing costs	11.8	10.9	11.8	14.0
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**

*Includes GLA COVID-19 Support

Explanation of budget changes

7.8 Changes to the LLDC's budget predominantly reflect the changing scope of the organisation's work as the Corporation matures, the cost of managing QEOP and venues, the impact of COVID-19 on the Corporation's finances (e.g. increased costs and loss of income) and the resources to manage the business, alongside targeted savings and efficiencies.

7.9 An analysis of the year on year movement in the council tax requirement is set out in the following table.

Changes in the council tax requirement	£m
2020-21 council tax requirement	0.0
Changes due to:	
Inflation	0.5
Savings and efficiencies	-9.5
Net change in existing service expenditure	1.7
Net change in GLA funding	7.3
2021-22 council tax requirement	**0.0**

Inflation

7.10 The budget includes an additional £0.5 million reflecting an uplift to contract costs and the payroll costs.

Savings and efficiencies

7.11 LLDC has delivered a significant level of savings and efficiencies in previous years and its core costs for management of its deliverables and the operation and maintenance of the Park are relatively fixed. Significant savings were built into its baseline budgets, particularly in relation to the London Stadium in 2021-22 and beyond. However, in response to the COVID-19 pandemic, further savings have been identified with planned savings and efficiencies of £9.5 million between the Revised Budget 2020-21 and the 2021-22 Budget.

7.12 Budgeted savings are as follows:

- London Stadium: the venue has been closed to spectators and its summer events, which included Major League Baseball, international athletics and the Mega Hella tour, have been cancelled or postponed. As a result, the Stadium is expected to incur significantly lower operating costs in 2020-21, particularly relating to the cost of moving the seating between football and summer events mode.
- Income opportunities: LLDC has identified potential for additional income, mainly from opportunities at 3 Mills Studios and interim uses of the Corporation's remaining development sites.
- Discretionary spend: LLDC's discretionary cost base is very limited, largely due to savings delivered over previous years. However, savings identified include professional fees, IT costs, repairs and maintenance and marketing and communications. All staff vacancies are being reviewed on a case by case basis and staff redeployed to other duties where appropriate. Spending on Inclusion and Diversity has been protected.
- The budget currently reflects a funding gap of £4.3 million in 2022-23 for which LLDC will need to identify additional savings and efficiencies (including commercial opportunities), or source additional funding.

Net change in existing service expenditure

7.13 The budget proposes a £1.7 million net increase in service expenditure and income (excluding financing costs, reserve transfers and savings and efficiencies), largely due to forecast pressures arising from the COVID-19 pandemic which are funded additionally by the GLA.

Change in GLA funding

7.14 LLDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve. Funding towards the net impact arising from LLDC's response to COVID-19 is being provided outside of its core funding control totals. Total core funding in 2021-22, including reserve movements is £7.3 million less than in the revised 2020-21 Budget. The total funding provided for LLDC should be viewed in light of the financial impact from the additional development that has taken place because of the 2012 Games and its legacy. It is estimated that the resulting council tax and business rates in the LLDC area will be in the region of £80 million by 2021-22.

Equalities

7.15 LLDC was established to deliver the legacy ambitions of the London 2012 Games through 'the regeneration of an entire community for the direct benefit of everyone who lives there'. The host boroughs for the London 2012 Games contained some of London's most deprived neighbourhoods and communities and ambitious plans had long been fostered to regenerate this part of east London: to transform the post-industrial landscape while preserving local heritage and to create stronger economic conditions and better life chances for its residents.

7.16 LLDC's mission is 'to use the opportunity of the London 2012 Games and the creation of the Queen Elizabeth Olympic Park to change the lives of people in east London and drive growth and investment in London and the UK, by developing an inspiring and innovative place where people want to – and can afford – to live, work and visit.'

7.17 LLDC promotes equality through its objectives to:

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

7.18 In addition, LLDC is promoting equality by putting in place arrangements to create more affordable housing within the residential developments around QEOP which have yet to be contracted.

7.19 Key positive actions being taken by LLDC include:

- reductions in gender and ethnicity pay gaps;

- increased representation of under-represented groups at senior levels at LLDC and development programmes for employees below the senior levels
- progress in meeting exemplary level across the Mayor's Diversity Standard; and
- successful launch of an Inclusive Culture campaign to focus on six different themes across the next 12 months.

Environmental impact

7.20 LLDC's policy is that QEOP will use the best of the Games' infrastructure, innovation and inspiration to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure that exceeds requirements under the London Plan. The LLDC commits to implementing the new London Plan environmental policies.

7.21 QEOP was conceived as an environmental showcase and LLDC will continue to strive for environmental excellence. The Corporation has set a wide range of environmental performance measures and publishes an annual sustainability report.

7.22 The budget for activities promoting environmental sustainability supports the implementation of the London Environment Strategy across QEOP's operation and development. This includes implementing a single-use plastic reduction action plan, implementing the GLA Group Responsible Procurement policy, and developing and implementing a carbon reduction plan that enables LLDC to achieve a 60 per cent reduction in carbon emissions by 2025 from its operations, including plans to retrofit buildings, sourcing more renewable energy, offsetting all flights, and considering the opportunities to support decentralised energy and heat networks.

7.23 Additionally, the budget supports working with stakeholder organisations to bring about good environmental outcomes in collaboration with LLDC partners, both existing (e.g. the Smart Mobility Living Lab) and developing e.g. with the GLA and partners to promote CleanTech (environmentally beneficial products and services). The budget will also deliver environmental engagement events (including World Environment Day, Sustainable Events Management and London Climate Action Week).

Reserves

7.24 Historic LLDC reserves are subsumed into the GLA. The GLA will provide additional funding in lieu of these, including an estimated £5.1 million carried forward in 2021-22. This includes the planned over-delivery of savings against the Mayor's Budget Guidance in 2020-21. The reserves (held by the GLA on behalf of LLDC) phase out over time, with LLDC estimated to be fully reliant on the GLA for revenue grant funding after 2021-22.

LLDC's published budget submission to the Mayor can be found here.

Old Oak and Park Royal Development Corporation

8.1 The Old Oak and Park Royal Development Corporation (OPDC) is the Mayoral Development Corporation (MDC) for the Old Oak and Park Royal area. It came into operation on 1 April 2015 to deliver the strategic regeneration opportunity provided by 134 hectares of brownfield land close to central London, creating an exemplar sustainable and inclusive community.

8.2 The new Old Oak Common station will be the UK's largest ever sub-surface station and will be the largest station to be built in the country in a century. When it opens transport connectivity between Old Oak and Central London, Heathrow and the wider UK will be outstanding, offering an interchange between HS2, the Elizabeth line and Great Western services. The OPDC will utilise its planning and regeneration powers to ensure that these benefits are captured and maximised to deliver much-needed homes, jobs and facilities.

8.3 The budget has been prepared in the context of OPDC moving towards a new delivery strategy, including a new focus on the regeneration of the 'Western Lands' along Old Oak Common Lane, Old Oak Lane and Victoria Road where key sites are owned by the Department for Transport and Network Rail. This involves developing an evidence base of the benefit of a comprehensive and coordinated approach to land, development and infrastructure funding to optimise the strategic opportunities that the area offers. OPDC will work towards securing the support of major partners including public sector landowners and funders.

8.4 OPDC's 2021-22 budget includes the costs of administering its existing statutory planning functions, which spans an area in three boroughs (Hammersmith & Fulham, Brent and Ealing); funding to support a significant increase in their interventions in Park Royal to boost the productivity and sustainability of London's largest industrial estate, including a number of third party funding bids; and support to enable OPDC to work with investors and landowners to bring forward innovative early development sites.

Key deliverables

8.5 The key deliverables for 2021-22 are as follows:

- **Western Lands strategic opportunity**: Developing a funding and delivery strategy for major development in an area dominated by public sector land ownership. OPDC will seek and coordinate political support and investment in land to allow a comprehensive and strategic approach to regeneration.
- **Accelerated development**: Targeted interventions to address market failure and/or optimise development where land can be unlocked. OPDC will seek to maximise public benefit through a range of investment, public realm, meanwhile use and programming interventions.

- **Industrial regeneration**: Supporting the intensification of industrial land use, through infrastructure improvements, and economic development and innovation including support for emerging sectors. OPDC will work to accelerate the decarbonisation of industrial land uses through increased efficiency, renewable energy, supporting the adoption of electric vehicles etc. and support access to skills, training and employment; with a targeted emphasis on OPDC's most disadvantaged communities.
- **In the Making**: Empowering local communities through genuine participation and agency in delivery projects. OPDC will increase community ownership of assets and programmes, support sustainable funding and pilot new approaches to design and delivery on the ground for the benefit of OPDC's longer term development.
- **Engaging communities and stakeholders**: Developing and implementing an overarching communications and engagement strategy to support OPDC's Western Lands approach and Local Plan examination, ensuring that stakeholders and community members are consulted, listened to and enabled to help shape our development plans in a collaborative, inclusive and meaningful way.
- **Local Plan**: During 2020-21 OPDC, will be responding to the inspector's interim findings on the draft Local Plan. There will be a further public consultation and possibly additional examination hearings. The inspector will then write his final report, prior to OPDC being able to adopt the Local Plan. Work will also commence on the impacts of COVID-19 on town planning and this will inform future planning policies and guidance that OPDC produces.
- **Infrastructure, housing and vision:** OPDC will progress Planning Obligations and Community Infrastructure Levy (CIL) strategies to devise the optimal way to secure contributions towards infrastructure requirements. OPDC will continue to work with developers to ensure construction is continuing where safe. OPDC has a clear vision and a high-level work programme for the medium-term underpinned by the agreement of a new Corporate Plan reflecting the revised approach to regeneration.

Responding to the London Recovery Board's missions

8.6 OPDC is working to understand and determine how the impacts and insights arising from COVID-19 will shape the Corporation's approach over the short and longer term. Four missions have coalesced from this work, which have been heavily influenced by and seek to ensure OPDC's contribution to the London Recovery Board's grand challenge, key outcomes and nine missions.

8.7 **Equitable Regeneration:** Contributing to the Recovery Board's outcomes of narrowing social, economic and health inequalities and of supporting communities, OPDC will proactively ensure projects benefit and support local communities, especially those most impacted by COVID-19, including by:

- continuing to support emerging mutual aid groups and local organisations via small grants;
- continuing to place an emphasis on co-design and participatory projects within OPDC's early delivery projects; and

- investigating new approaches to social impact measurement of OPDC's initiatives.

8.8 **Radically Local:** Contributing to the high streets for all London Recovery missions, OPDC will take a Radically Local approach to spatial development, drawing from the best of the 15-minute cities concept, including by:

- supporting new neighbourhood centres at Park Royal Centre, Atlas Junction and Scrubs Lane (in delivery and to be stepped up in 2021 and 2022, subject to external funding);
- strengthening links between Park Royal businesses and local communities; and
- adopting design principles and undertaking public realm improvements to encourage local walking, cycling and safe outdoor activities, with delivery from 2021.

8.9 **An inclusive, sustainable and resilient economic recovery:** Contributing to the Recovery Board's key outcome of reversing rising unemployment and lost economic growth and the helping Londoners into good work mission, OPDC will help build an inclusive, sustainable and resilient economy, including by:

- delivering the Park Royal Employment and Skills Hub, running over the next year;
- upgrading digital connectivity across Park Royal and seeking to put Park Royal at the heart of the '4th Industrial Revolution, for which scoping is underway'; and
- creating a platform to attract the next generation of industrial and commercial sectors to the OPDC area over the next three to five years.

8.10 **Clean and Green:** Contributing to the Recovery Board's cleaner, green outcome and its green new deal mission, OPDC will put Old Oak and Park Royal at the forefront of delivering the UK and London's zero carbon, zero emission targets, including by:

- delivering a Solar Pilot Project in Park Royal, targeting delivery within two years;
- delivering water quality improvement in the Grand Union Canal; and
- developing a long-term local area energy plan to decarbonise Park Royal and Old Oak.

Gross revenue and capital expenditure

8.11 The Mayor's proposed gross revenue expenditure for the OPDC in 2021-22 is £6.5 million. This is £0.3 million higher than the forecast outturn for 2020-21 and £0.6 million lower than the revised budget.

Net revenue budget and council tax requirement

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

Objective analysis OPDC	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
CEO Office	1.1	1.0	0.9	0.9
Planning	1.4	1.3	1.5	1.5
Delivery	2.2	1.8	2.1	2.1
Corporate Operations	2.4	2.1	2.0	2.1
Total expenditure	**7.1**	**6.2**	**6.5**	**6.6**
Total income	-0.3	-0.3	-0.3	-0.3
Transfer to/ (from) MDC reserve	1.0	1.9	0.0	0.0
Net expenditure	**7.8**	**7.8**	**6.2**	**6.3**
Retained Business rates	7.8	7.8	6.2	6.3
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**

Explanation of budget changes

8.13 An analysis of the year-on-year movement in the council tax requirement, comparing the revised 2020-21 budget to the proposed 2021-22 budget, is set out below.

Changes in the council tax requirement	£m
2020-21 council tax requirement	0.0
Changes due to:	
Inflation	0.0
Savings and efficiencies	-1.6
Net change in GLA funding	1.6
2021-22 council tax requirement	**0.0**

Inflation

8.14 The budget does not include a provision for inflation.

Savings and efficiencies

8.15 The budget incorporates planned savings and efficiencies of £0.6 million. These are mainly through a reduction in legal costs, other corporate savings, and adjustments in project and programme spend.

Net change in GLA funding

8.16 The OPDC receives its revenue funding via the GLA, paid from business rates and funds held in the Mayoral Development Corporation Reserve. The funding provided by the GLA will decrease by £1.6 million in 2021-22, compared to the revised 2020-21 Budget.

Equalities

8.17 Equality for all is at the centre of the corporate strategy of the OPDC, which is to improve lives through employability, improved homes and exemplar neighbourhoods. OPDC's corporate strategy is being reviewed, and a new Corporate Plan will be developed for 2021-22. The OPDC's approach to inclusion is set out in the Mayor's Inclusive London strategy.

8.18 The OPDC will deliver new housing and employment capacity for London in ways that are accessible and inclusive for all sections of new and existing communities. OPDC's Local Plan recognises the importance of this and seeks to deliver 'Lifetime Neighbourhoods' with inclusive design at the heart of development. OPDC is allocating funding for a range of investment, policies and programmes to positively impact equalities outcomes. The OPDC is committed to creating a diverse and inclusive workforce through measures such as the development of a clear action plan to achieve the objective and monitoring, analysing and publishing workforce equalities data. OPDC also promotes regeneration and community engagement through measures such as providing training and skills development for residents and businesses; developing volunteering and mentoring opportunities for residents and communities; and reducing the impact of health inequalities by maximising health and sports facilities in the development area.

Environmental impact

8.19 OPDC's draft Local Plan includes a range of environmental planning policies that will support the Mayor's target for London to become a zero-carbon city by 2050. This includes policies requiring developments to be air quality and biodiversity positive, reduce and re-use waste materials, minimise energy and source any energy generation needs from low carbon sources, in accordance with the Mayor's Energy Hierarchy. OPDC is developing planning guidance to support the implementation of these policies.

8.20 The OPDC area will benefit from a highly-connected network of new and improved streets and open spaces, which will encourage exemplary levels of walking and cycling. Sustainable transport will be embedded at the heart of the future masterplan, with a redesigned and improved local bus network, and a significantly transformed road network. The OPDC commits to implementing the new London Plan environmental policies.

8.21 Through its expanded programme for Park Royal, OPDC will be working to develop strategies and pilot implementation of low carbon technologies suitable to support Park Royal's development and reduce its environmental impact. This includes delivering a photovoltaic electricity pilot, working with TfL to implement vehicle charging points and looking for further opportunities to support investment in low carbon generation and energy storage technology.

Reserves

8.22 The OPDC has no reserves as its operational expenditure is funded by retained business rates and balances held in the GLA's MDC Reserve. The balance of the contingency for activity in the OPDC area, held in the MDC Reserve, is available to meet unexpected operational pressures.

OPDC's published budget submission to the Mayor can be found here.

Capital Strategy including Capital Spending Plan

9.1 The Mayor is required to prepare a Capital Spending Plan (CSP) and a long-term capital strategy every year for each of the GLA's functional bodies. Before issuing his final plan, he is required to consult with the Assembly and each functional body under section 123 of the GLA Act 1999. The Mayor is also required to set the borrowing limits for the GLA Group – the proposals for which are set out in Appendices A to E for the GLA and each relevant functional body. In view of OPDC's revised plans for the development of its area, at this stage, no Capital Strategy or Capital Spending Plan can be approved for that body. The London Assembly does not undertake capital expenditure.

9.2 The intention of the Capital Strategy is to drive the Mayor's capital investment ambition, whilst ensuring the sustainable long-term delivery of services. The benefits of preparing a Capital Strategy are that it provides a clear framework for investment decisions, aligns capital plans to the Mayor's priorities and promotes transparency and accountability. It sets out a detailed Capital Spending Plan every year for the five years from 2020-21 and then an indicative high-level capital plan for a further fifteen years.

9.3 The GLA and its functional bodies have different approaches to the preparation of their own Capital Strategy which reflect their separate governance processes. However, the Mayor's Capital Strategy reflects the Group Investment Syndicate's decisions, where the GLA and all functional bodies, excluding TfL, align their treasury strategies. The Mayor's Capital Strategy is set at outturn, rather than current, prices.

9.4 The table below summarises the Mayor's draft Capital Spending Plan (CSP) to 2024-25. Overall the GLA Group will be investing more in 2021-22 than in 2020-21. The majority of this change reflects the GLA's additional contribution to Crossrail, agreed in November 2020.

Summary of the draft capital plan 2020-21 to 2024-25	**2020-21 Forecast £m**	**2021-22 Plan £m**	**2022-23 Plan £m**	**2023-24 Plan £m**	**2024-25 Plan £m**	**5 year total £m**
GLA	1,679.7	2,080.7	1,344.7	928.2	1,080.7	7,114.0
MOPAC	333.9	385.1	340.3	304.3	239.4	1,603.0
LFC	32.8	57.6	25.8	15.7	20.4	152.3
TfL	2,080.1	2,821.5	2,519.1	3,478.4	3,837.1	14,736.2
LLDC	171.5	227.4	214.8	137.8	35.8	787.3
Total capital expenditure	**4,298.0**	**5,572.3**	**4,444.7**	**4,864.4**	**5,213.4**	**24,392.8**

9.5 Set out overleaf is a summary of the Mayor's Draft Capital Spending Plan for 2021-22 which shows the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act.

Draft GLA Group statutory capital spending plan 2021-22 under Section 122 of the GLA Act

Section		GLA £m	MOPAC £m	LFC £m	TfL £m	LLDC £m
	Total external capital grants	0.0	56.3	0.0	1,820.2	92.6
	Opening balance of capital receipts	0.0	0.0	0.0	0.0	0.0
	Total capital receipts during the year	0.0	81.2	50.8	290.9	93.1
A	**Total capital grants/ receipts**	**0.0**	**137.5**	**50.8**	**2,111.1**	**185.7**
	Minimum s.120(1) grant	0.0	0.0	0.0	0.0	0.0
	Total borrowings during the year	833.4	244.2	6.8	0.0	41.7
	Total credit arrangements during the year	0.0	0.0	0.0	0.0	0.0
B	**Total borrowings and credit arrangements**	**833.4**	**244.2**	**6.8**	**0.0**	**41.7**
	Total capital expenditure anticipated during the year	2,080.7	385.1	57.6	2,821.5	227.4
	Total amounts which may be treated as borrowing in the year because of section 8(2) of the Local Government Act 2003	0.0	0.0	0.0	0.0	0.0
C	**Total capital spending for the year**	**2,080.7**	**385.1**	**57.6**	**2,821.5**	**227.4**
	Funding: capital grants and contributions	1,137.1	56.3	0.0	1,820.2	137.5
	Funding: capital receipts/reserves	2.0	81.2	50.8	201.3	48.2
	Funding: borrowings and credit arrangements	833.4	244.2	6.8	0.0	41.7
	Funding: revenue contributions	108.2	3.4	0.0	800.0	0.0
D	**Total funding**	**2,080.7**	**385.1**	**57.6**	**2,821.5**	**227.4**

9.6 Set out below is a summary table of the GLA and each functional body's high-level capital spending need for the subsequent fifteen years. These estimates are based on many detailed assumptions, set out in the individual Capital Strategies for the GLA and functional bodies. However, it shows that on average over the fifteen-year period, the Mayor has a capital spending need on average of some £8.7 billion every year from 2025-26 onwards. Just under 95 per cent of this spending need arises from housing and transport.

Capital strategy

Outturn prices	Years 6-10 2025-26 to 2029-30 £m	Years 11-15 2030-31 to 2034-35 £m	Years 16-20 2035-36 to 2039-40 £m	Total Years 6-20 2025-26 to 2039-40 £m
GLA: Mayor				
Housing	17,887.3	13,500.0	13,500.0	44,887.3
Regeneration	356.4	261.3	147.1	764.8
Environment	197.8	185.8	185.0	568.6
Other	157.6	164.9	177.8	500.3
Subtotal GLA	**18,599.1**	**14,112.0**	**14,009.9**	**46,721.0**
MOPAC				
Transformation	616.8	602.4	641.3	1,860.5
Maintenance	227.7	170.0	170.0	567.7
Subtotal MOPAC	**844.5**	**772.4**	**811.3**	**2,428.2**
LFC				
Estate, ICT and fleet maintenance	264.4	193.4	144.9	602.7
Subtotal LFC	**264.4**	**193.4**	**144.9**	**602.7**
TfL				
Crossrail 2	0.0	0.0	12,968.6	12,968.6
Line extensions	1,098.8	983.5	3,592.3	5,674.6
Line upgrades	6,848.5	7,691.3	4,887.8	19,427.6
Enhancements	7,820.3	8,775.8	6,081.6	22,677.7
Renewals	5,848.5	6,476.5	7,740.6	20,065.6
Subtotal TfL	**21,616.1**	**23,927.1**	**35,270.9**	**80,814.1**
LLDC				
Construction, infrastructure and lifecycle	101.1	34.1	-1.2	134.0
Subtotal LLDC	**101.1**	**34.1**	**-1.2**	**134.0**
TOTAL GLA GROUP	**41,425.2**	**39,039.0**	**50,235.8**	**130,700.0**

9.7 The table below shows the GLA and each functional body's total spending need over years 5 to 20 against the likely level of capital resources available and illustrates the scale of likely shortfall. Although this analysis is again subject to many assumptions set out in the individual Capital Strategy documents, it shows that the scale of capital need far outweighs the likely level of capital resources that under existing Government policy the Mayor is likely to receive.

Outturn prices	Years 6-10 2025-26 to 2029-30 £m	Years 11-15 2030-31 to 2034-35 £m	Years 16-20 2035-36 to 2039-40 £m	Total Years 6-20 2025-26 to 2039-40 £m
GLA: Mayor				
Spending need	18,599.1	14,112.0	14,009.9	46,721.0
Likely funding	6,127.7	3,775.3	3,502.1	13,405.1
Subtotal GLA shortfall	**12,471.4**	**10,336.7**	**10,507.8**	**33,315.9**
MOPAC				
Spending need	844.5	772.4	811.3	2,428.2
Likely funding	409.0	319.3	438.6	1,166.9
Subtotal MOPAC shortfall	**435.5**	**453.1**	**372.7**	**1,261.3**
LFC				
Spending need	264.4	193.4	144.9	602.7
Likely funding	48.0	37.0	37.0	122.0
Subtotal LFC shortfall	**216.4**	**156.4**	**107.9**	**480.7**
TfL				
Spending need	21,616.1	23,927.1	35,270.9	80,814.1
Likely funding	16,723.6	13,859.4	23,044.1	53,627.1
Subtotal TfL shortfall	**4,892.5**	**10,067.7**	**12,226.8**	**27,187.0**
LLDC				
Spending need	101.1	34.1	-1.2	134.0
Likely funding	101.1	34.1	-1.2	134.0
Subtotal LLDC shortfall	**0.0**	**0.0**	**0.0**	**0.0**
Total GLA Group shortfall	**18,015.8**	**21,013.9**	**23,215.2**	**62,244.9**

9.8 The following sections set out the key issues arising from the above tables for the GLA and each of the functional bodies.

Greater London Authority

9.9 The GLA's detailed five-year CSP of £7.114 billion over 2020-25 can be summarised, as follows:

- housing expenditure of £4.432 billion which is principally to allow 116,000 affordable homes starts within London by 2023 and an additional 35,000 affordable homes starts by 2026 and an additional 130,000 affordable homes starts by 2026;
- the balance of the GLA's additional contribution to Crossrail of £0.866 billion over the 2020-2022 period, of which £0.825 billion relates to the additional agreement announced on 30 November;

- regeneration expenditure of £0.923 billion which includes the Building Safety Fund, Further Education programme, Skills for Londoners, the Growing Places Fund and the Good Growth Fund, and Environment programmes, such as Warmer Homes and drinking fountains; and
- other capital expenditure of around £0.893 billion principally for the Northern Line Extension and the LLDC for East Bank.

9.10 The detailed GLA CSP for the period 2020-25 reflects the current levels of availability of Government capital funding, which acts a constraint on the Mayor's ambitions for London. The Mayor will continue to press for additional capital funding from the Government, in particular given the climate and ecological emergency.

9.11 The GLA's shortfall between spending need and likely level of resource is on average over £2 billion per annum from 2025-26 onwards. This principally results from the level of affordable housing to achieve the aim set out in the London Plan of half of all new homes built to be genuinely affordable, after allowing for only the existing level of Government grant being maintained rather than increased to the levels needed. In addition, the gap arises from the bold ambitions for London set out in the Mayor's London Environment Strategy and the assumption that there will be a continued need to invest in regeneration and skills at least at current levels, but presently there are no confirmed resources for such programmes.

9.12 The GLA's draft CSP, and authorised and operating borrowing limits, are set out at Appendix A.

MOPAC

9.13 MOPAC's detailed five-year CSP of £1.603 billion over 2020-25, can be summarised, as follows:

- £739 million on core capital essential asset maintenance activities including: £119.9 million on property lifecycle works; £125.4 million on fleet; £312.7 million on the core costs of IT equipment including for frontline officers, and £177.6 million in National Counter Terrorism Policing Headquarters (NCTPHQ) (fully funded from grant) investments; and
- £864 million on development and modernisation to ensure the MPS is modern and fit-for-purpose for the 21st century. Activities include £387.6 million on developing the estate; £192.4 million on Counter Terrorism Operations Centre; £83.7 million on transforming investigations and prosecution and £115.1 million on optimising contact and response (including Command and Control).

9.14 MOPAC's has a shortfall between anticipated expenditure and likely level of resource of £1.3 billion over the fifteen-year period from 2025-26 onwards. This shows the scale of capital investment far outweighs the likely level of capital resources that, under existing Government policy, the Mayor is likely to receive.

9.15 There are many uncertainties over this longer time horizon on both the funding and expenditure side. Therefore, it is assumed that the capital forecast will largely be that which is necessary to maintain and replace existing assets. When considering future innovation and transformation funding, there will be a need for MOPAC and the MPS to find a balance between capital and revenue funding. This is not foreseeable at this stage.

9.16 MOPAC's draft CSP, and authorised and operating borrowing limits, are set out at Appendix B.

LFC

9.17 LFC's detailed five-year CSP of £152 million over 2020-25 allows for maintenance and replacement of the Commissioner's building, fleet and IT assets and some limited sustainability works and new developments, such as the new training centre.

9.18 LFC's shortfall between spending need and likely level of resource is on average some £30 million per annum from 2025-26 onwards, after allowing for an assumed level of borrowing. This shortfall principally results from the need to continue to invest and maintain assets, such as the LFC's estate, IT and fleet. The programme includes the capital investment requirements to ensure that the LFC's fleet meets the ULEZ and replacement of vehicles as they come to the end of their useful life.

9.19 LFC's draft CSP, and authorised and operating borrowing limits, are set out at Appendix C.

Transport for London

9.20 TfL's five-year CSP of £14.736 billion over 2020-25 can be summarised, as follows:

- renewals of £4.293 billion;
- line upgrades of £3.402 billion;
- streets, buses and other surface expenditure of £2.131 billion;
- other corporate expenditure, including on rail, of £1.777 billion;
- Crossrail, including Elizabeth line trains and enabling works of £1.628 billion;
- expenditure on London underground of £1.212 billion; and
- line extensions of £0.412 billion.

9.21 The first five years of the capital plan are fully balanced on the assumption of further grant funding, but this remains subject to future agreements with the GLA and the Government. Both costs and funding within this period will be subject to these agreements. The total estimated capital expenditure required for the 15 years from 2025-26 is £80.8 billion, of which Crossrail 2 costs are £13.0 billion. This represents an average spending need of £4.5 billion every year from 2025-26 onwards for TfL and £0.9 billion per annum for Crossrail 2. The level of transport investment suggested reflects the Mayor's and TfL's assessment of future needs as set out in the Mayor's Transport Strategy (MTS). It is also very close to the National Infrastructure Commission's assessment of London's transport infrastructure requirements. As is normal, not all the funding for future transport infrastructure schemes has yet been identified. TfL will continue to develop potential funding packages for a number of major schemes, although these are subject to review.

9.22 These packages could include funding from a number of different sources, including additional Government funding, tax increment financing or local sources, such as workplace parking levies. This will help reduce the current additional funding requirement of some £5.4 billion a year on average that will be needed from 2025-26 onwards (assuming no additional borrowing). It is also important for TfL to have certainty around future funding to enable it commit to long-term projects and the Mayor will be making the case to Government for confirmed capital funding to support investment as part of the Spending Review in 2021.

9.23 TfL's draft CSP, and authorised and operating borrowing limits, are set out at Appendix D.

9.24 It is also necessary to amend TfL's in year approved borrowing limits for 2020 21 to reflect the accounting implications of International Financial Reporting Standard 16 (IFRS 16) relating to leases. The proposed amendment only affects the long-term liabilities element of the limit and not the actual borrowing element. This is a technical change, but before the limits can be amended by the Mayor, he must first consult with the London Assembly on this change as required under section 3 of the Local Government Act 2003. This requirement was met through the wider consultation on the draft capital spending plan. The current approved and proposed revised limits for 2020-21 are set out and compared in tables 6 and 7 in Appendix D.

LLDC

9.25 LLDC's detailed five-year CSP of £787 million over 2020-25 can be summarised as follows:

- construction and completion of the East Bank educational and cultural district in the Queen Elizabeth Olympic Park, including required equity to invest in the Stratford Waterfront residential development joint venture of £512 million;
- repayable loans to BBC/UAL towards the cost of their east bank buildings of £76 million;
- section 106 infrastructure works and planning and design costs to deliver housing developments of £100 million; and
- stadium, park and venue life-cycle and improvement projects, including to the stadium's current seating system, of £48 million.

9.26 LLDC has no shortfall between its spending need and likely level of resource over the fifteen-year period from 2025-26. This is because, after allowing for the GLA direct capital grants to LLDC, it is anticipated that capital receipts will be received to repay the GLA's investment in the park, a surplus currently estimated in excess of £100 million.

9.27 LLDC's draft CSP, and authorised and operating borrowing limits, are set out at Appendix E. The current approved maximum borrowing limit of £520 million has been increased in 2023-24 to £550 million. This is due to further movements in the expected quantum and timing of capital receipts and expenditure (including from the impact of COVID-19 and other market changes). The 2021-22 borrowing requirement is well within the current £520 million limit and this will be reviewed again during the 2022-23 budget process.

Greater London Authority: Mayor and London Assembly

The GLA: Mayor and GLA: Assembly subjective analysis will be included in the Draft Consolidated Budget.

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

Table 1: GLA: Mayor - GLA Group items

GLA Group Items	Revised Budget 2020-21 £m	Forecast 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Group collaborative and responsible procurement	0.9	0.9	0.9	0.9
Borough income maximisation projects	6.0	6.0	5.0	5.0
Development Corporations				
LLDC expenditure funded from Group items	4.9	4.9	1.0	0.0
Tariff and levy payments to central government	905.6	839.5	844.5	861.4
Total GLA Group item expenditure	**917.4**	**851.3**	**851.4**	**867.3**
Transfer to/from (-) MDC reserve	-4.9	-4.9	-1.0	0.0
Transfer to/from (-) BRR reserve	53.0	53.0	25.0	0.0
Financing requirement	**965.5**	**899.4**	**850.4**	**867.3**
Retained business rates	965.5	899.4	850.4	867.3
LCTS Grant	0.0	0.0	25.0	0.0
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**

'BRR reserve' - Business Rates Retention reserve. 'MDC reserve' is the Mayoral Development Corporation reserve. LCTS – Local Council Tax Support

Table 2: GLA: Mayor - Draft capital spending plan

Draft capital plan	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m	Plan 2023-24 £m	Plan 2024-25 £m
Expenditure					
Affordable Homes Programme (2016-23)	386.6	300.0	674.0	633.0	757.7
Affordable Homes Programme (2021-26)	0.0	10.0	10.0	10.0	200.0
Cladding – Social sector	87.4	26.7	0.0	0.0	0.0
Cladding – Private sector	55.0	50.0	45.0	0.0	0.0
Housing Zone loans	63.8	0.0	0.0	0.0	0.0
Housing Zone grants	110.8	25.5	0.0	40.4	29.8
Care and Support Specialised Housing	31.1	2.4	0.0	0.0	0.0
Community Housing Fund	5.0	12.0	13.0	0.0	0.0
Move-On	18.7	11.2	2.1	0.0	0.0
Land and Property programme (GLAP)	22.2	2.0	9.0	15.0	0.0
Marginal Viability Fund	35.0	38.9	8.4	0.0	0.0
GLAP Land Fund	158.4	0.0	62.5	0.0	0.0
MHLG Land Fund	230.8	0.0	97.1	39.1	1.5
Enterprise Zone – Royal Docks	3.3	17.9	22.1	25.1	20.8
Further Education Capital	17.0	18.0	11.8	5.3	1.0
Skills for Londoners	13.6	15.1	24.9	11.1	20.0
Good Growth Fund	12.2	10.8	10.6	9.4	0.0
Building Safety Fund	18.0	532.0	100.0	50.0	0.0
Getting Building Fund	11.1	11.1	0.0	0.0	0.0
Elephant & Castle	12.5	12.5	0.0	0.0	0.0
Northern Line Extension	136.0	14.0	0.0	0.0	22.4
Crossrail	41.0	760.0	65.0	0.0	0.0
LLDC Loan Funding	17.3	41.5	106.2	23.1	14.0
UCL Cultural and Education District	55.0	30.0	0.0	0.0	0.0
LLDC East Bank and Direct Grant Funding	75.8	91.6	58.2	48.9	0.0
Other Projects (< £10m p.a.)	62.1	47.5	24.8	17.8	13.5
Total expenditure	**1,679.7**	**2,080.7**	**1,344.7**	**928.2**	**1,080.7**
Funding					
Borrowing	194.3	833.4	188.2	37.6	39.0
Capital grants and third-party contributions	1,184.1	1,137.1	1,038.1	808.5	1,014.8
Capital receipts	187.4	2.0	76.6	25.6	13.7
Revenue contributions	113.9	108.2	41.8	56.5	13.2
Total funding	**1,679.7**	**2,080.7**	**1,344.7**	**928.2**	**1,080.7**

Table 3: GLA: Mayor - Capital financing costs

Capital financing costs	2021-22 £m	2022-23 £m
GLA: Mayor		
Provision for repayment of debt	340.5	347
External interest	175.0	170.0
GLA: Mayor Total	**515.5**	**515.5**

Tables 4 and 5: GLA: Mayor - Borrowing limits

Authorised limit for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
GLA: Mayor					
Borrowing	6,100.0	6,100.0	7,200.0	7,200.0	7,200.0
GLA: Mayor Total	**6,100.0**	**6,100.0**	**7,200.0**	**7,200.0**	**7,200.0**

Operational boundary for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
GLA: Mayor					
Borrowing	5,700.0	5,700.0	6,800.0	6,800.0	6,800.0
GLA: Mayor Total	**5,700.0**	**5,700.0**	**6,800.0**	**6,800.0**	**6,800.0**

Mayor's Office for Policing and Crime

Table 1: MOPAC (including MPS) - Subjective analysis

Subjective analysis	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Police officer pay	2,040.8	2,053.4	2,113.7	2,302.5
Police staff pay	577.2	571.1	566.8	570.1
PCSO pay	56.0	54.6	56.1	56.1
Total pay	**2,674.0**	**2,679.1**	**2,736.6**	**2,928.7**
Police officer overtime	125.4	137.0	102.0	100.3
Police staff overtime	21.7	33.1	21.5	21.4
PCSO overtime	0.1	0.2	0.1	0.1
Total overtime	**147.2**	**170.3**	**123.6**	**122.8**
Employee-related expenditure	21.6	21.4	12.2	10.7
Premises costs	164.7	165.0	157.3	141.3
Transport costs	78.8	74.3	78.2	78.2
Supplies and services	677.5	626.6	710.7	727.6
Total running expenses	**942.6**	**887.3**	**958.4**	**957.8**
Capital financing costs	98.4	95.1	136.7	169.0
Total expenditure	**3,862.2**	**3,831.8**	**3,955.3**	**4,177.4**
Other income	-287.5	-267.4	-290.2	-294.1
Total income	**-287.5**	**-267.4**	**-290.2**	**-294.1**
Discretionary pension costs	34.6	35.0	34.4	34.4
Additional funding required	0.0	0.0	0.0	-248.6
Net expenditure	**3,609.3**	**3,599.4**	**3,699.6**	**3,669.2**
Transfer to/from (-) reserves	25.3	34.2	-140.4	-87.5
Net financing requirement	**3,634.6**	**3,633.6**	**3,559.2**	**3,581.8**
Specific grants	690.3	689.3	583.1	579.1
Retained business rates	118.7	118.7	27.9	28.5
Council tax collection fund surplus	10.0	10.0	0.0	0.0
Home Office Police Grant	2,048.5	2,048.5	2181.3	2,181.3
Council tax requirement	**767.1**	**767.1**	**766.8**	**792.9**

Table 2: MOPAC - Draft capital plan

Draft capital plan	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m	Plan 2023-24 £m	Plan 2024-25 £m
Expenditure					
PSD - Lifecycle work	12.6	15.5	17.9	31.5	42.3
Fleet	31.2	22.7	23.8	25.1	22.6
Digital Policing	32.7	82.1	102.2	56.5	39.2
NCTPHQ	24.9	46.9	43.9	40.8	21.2
Optimising Contact and Response	55.4	43.8	10.0	6.0	0.0
Transforming Investigation and Prosecution	38.8	30.9	11.7	2.3	0.0
Strengthening Armed Policing	0.4	3.1	21.2	0.0	0.0
Operational Support Services	0.0	6.8	6.8	0.0	0.0
Fortress and EBACS	3.6	0.0	0.0	0.0	0.0
Local Investigation Capability	0.5	0.0	0.0	0.0	0.0
Learning and Professionalism Transformation	1.5	1.2	0.0	0.0	0.0
Information Futures	3.7	5.9	2.7	0.0	0.0
PSD- Property Forward Works	43.2	22.4	22.7	23.1	81.0
PSD- Transforming the MPS Estate	82.1	103.9	77.4	108.0	16.1
Met Operations	3.3	0.0	0.0	0.0	0.0
Transformation - long term estimate	0.0	0.0	0.0	11.0	17.0
Total Expenditure	**333.9**	**385.2**	**340.3**	**304.3**	**239.4**
Funding					
Capital Grants and Receipts	70.0	88.0	48.2	47.4	67.7
CTPHQ and Fleet funded	34.7	53.0	49.8	48.3	27.1
Borrowing	229.2	244.2	242.3	208.6	144.6
Total funding	**333.9**	**385.2**	**340.3**	**304.3**	**239.4**

PSD – Property Services Directorate
NCTPHQ – National Counter Terrorism Policing Headquarters

Table 3: MOPAC - Capital financing costs

Capital financing costs	2021-22 £m	2022-23 £m
Provision for repayment of debt	63.4	79.2
External interest	32.1	36.9
MOPAC Total	**95.5**	**116.1**

Tables 4 and 5: MOPAC - Borrowing limits

Authorised limit for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
MOPAC					
Borrowing	1,151.1	1,108.3	1,352.5	1,594.8	1,803.4
Long term liabilities	64.9	64.9	58.4	52.2	47.4
MOPAC Total	**1,216.0**	**1,173.1**	**1,410.8**	**1,646.9**	**1,850.8**

Operational boundary for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
MOPAC					
Borrowing	1,026.1	983.3	1,227.5	1,469.8	1,678.4
Long term liabilities	64.9	64.9	58.4	52.2	47.4
MOPAC Total	**1,091.0**	**1,048.1**	**1,285.8**	**1,521.9**	**1,725.8**

London Fire Commissioner

Table 1: LFC - Subjective analysis

Subjective analysis	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Operational staff	278.4	285.2	275.5	270.9
Other staff	60.6	59.7	59.6	60.8
Employee-related	24.4	24.0	27.5	27.9
Pensions	21.3	21.0	21.6	21.8
Premises	40.2	42.4	45.3	46.3
Transport	17.0	17.0	18.1	18.4
Supplies and services	28.0	33.6	31.2	35.1
Third party payments	1.3	1.4	1.5	1.5
Capital financing costs	8.0	8.6	9.0	12.1
Savings to be identified	0.0	0.0	0.0	-8.2
Total expenditure	**479.2**	**492.9**	**489.3**	**486.60**
Total income	-39.6	-46.0	-41.2	-44.2
Net expenditure	**439.6**	**446.9**	**448.1**	**442.4**
Transfer to/from (-) reserves	-4.9	-10.3	-23.0	-5.5
Financing requirement	**434.7**	**436.6**	**425.1**	**436.9**
Specific grants	33.2	35.1	33.3	33.3
Retained business rates	232.9	232.9	228.1	232.7
Council tax requirement	**168.6**	**168.6**	**163.7**	**170.9**

Table 2: LFC - Draft capital plan

Draft capital plan	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m	Plan 2023-24 £m	Plan 2024-25 £m
Expenditure					
IT projects	2.1	3.8	2.9	1.7	2.5
Major refurbishments	1.7	3.9	3.5	3.4	4.1
New developments	1.6	14.1	9.7	1.3	1.6
Minor works	4.3	5.2	4.0	5.4	4.1
Sustainability works	2.3	4.1	2.9	2.4	4.2
Appliance Bay doors	1.0	1.0	0.4	0.4	0.5
Fire Brigade fleet re-procurement	19.7	17.3	1.3	0.0	3.4
Operational Equipment	0.0	8.2	0.0	0.0	0.0
Other Property Projects	0.1	0.0	1.1	1.1	0.0
Total expenditure	**32.8**	**57.6**	**25.8**	**15.7**	**20.4**
Funding					
Capital receipts	1.5	50.8	23.0	0.0	0.0
Capital grants	1.9	0.0	0.0	0.0	0.0
Borrowing	29.4	6.8	2.8	15.7	20.4
Total funding	**32.8**	**57.6**	**25.8**	**15.7**	**20.4**

Table 3: LFC - Capital financing costs

Capital financing costs	2021-22 £m	2022-23 £m
LFC		
Provision for repayment of debt	5.8	5.8
External interest	2.6	2.4
LFC Total	**8.4**	**8.2**

Tables 4 and 5: LFC - Borrowing limits

Authorised limit for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
LFC					
Borrowing	155.0	155.0	175.0	175.0	175.0
Long term liabilities	70.0	70.0	70.0	70.0	70.0
LFC Total	**225.0**	**225.0**	**245.0**	**245.0**	**245.0**

Operational boundary for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2022-23 £m
LFC					
Borrowing	150.0	150.0	170.0	170.0	170.0
Long term liabilities	70.0	70.0	70.0	70.0	70.0
LFC Total	**220.0**	**220.0**	**240.0**	**240.0**	**240.0**

Transport for London

Table 1: TfL - Subjective analysis

Subjective analysis	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Income				
Passenger income	-1,315.3	-1,480.1	-3,275.6	-4,559.1
CC, LEZ & ULEZ income	-354.0	-408.0	-762.9	-1,157.5
Media income	-45.8	-49.1	-111.4	-125.8
Rental income	-49.5	-49.5	-76.6	-94.9
Elizabeth line regulatory income	0.0	0.0	-69.6	-338.4
Other income	-259.1	-261.4	-246.1	-275.6
Total Income	**-2,023.7**	**-2,248.1**	**-4,542.2**	**-6,551.3**
Operating Expenditure				
Employee expenses	2,236.9	2,218.5	2,168.6	2,029.9
Premises	287.9	288.7	321.9	335.5
Bus contract payments	2,007.4	2,040.3	2,083.5	2,128.8
CCS Income & other road contracted services	428.5	369.7	398.1	403.9
Asset maintenance and LA payments	425.6	412.4	548.8	639.4
Professional and consultancy	134.6	118.5	109.3	107.0
Franchise payments	326.7	423.1	474.9	492.6
Elizabeth line regulatory	0.0	0.0	69.6	338.4
ICT	225.4	223.4	234.1	241.8
Traction current	131.3	132.0	162.8	164.1
Other operating expenses	656.2	649.4	645.0	712.8
Capital resources and other recharges	-262.8	-325.1	-360.6	-382.9
Bad debt provision	94.0	102.7	159.3	290.3
Total operating expenditure	**6,691.7**	**6,653.6**	**7,015.3**	**7,501.6**
Net operating expenditure	**4,668.0**	**4,405.5**	**2,473.1**	**950.3**
Group items	456.2	457.6	510.5	505.5
Revenue resources used to support capital investment*	-399.4	-643.9	959.0	776.7
Transfer to/(from) reserves	-911.2	-648.5	-83.9	329.5
Financing requirement	**3,813.6**	**3,570.7**	**3,858.7**	**2,562.0**
Specific grants	48.7	81.8	12.6	13.8
Retained business rates	893.9	893.9	773.7	787.2
Extraordinary Grant	2,865.0	2,589.0	3,023.2	1,711.2
Council tax requirement	**6.0**	**6.0**	**49.2**	**49.8**

*Funded by reserves and extraordinary grant
CCS - Congestion charging scheme.

Table 2 TfL - Draft capital plan

Draft capital plan	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m	Plan 2023-24 £m	Plan 2024-25 £m
Expenditure					
Crossrail contributions	800.5	651.4	114.0	13.0	0.0
Elizabeth line trains and enabling works	38.1	10.7	0.0	0.0	0.0
Line extensions	150.9	102.1	6.0	72.1	80.4
Line upgrades	266.1	478.0	610.3	932.8	1,114.7
London Underground enhancements	113.1	151.4	151.9	385.5	409.8
Buses enhancements	9.3	22.7	32.0	122.4	157.6
Streets enhancements	132.6	195.2	176.5	234.4	234.2
Rail enhancements	24.9	23.8	52.4	53.5	54.5
Other surface operations enhancements	49.2	70.5	44.4	244.6	288.0
Corporate projects enhancements	129.1	311.1	459.3	302.0	365.9
Renewals	366.3	804.6	872.3	1,118.1	1,132.0
Total expenditure	**2,080.1**	**2,821.5**	**2,519.1**	**3,478.4**	**3,837.1**
Funding					
Capital receipts	110.4	290.9	320.1	199.0	248.0
Retained business rates	910.0	930.2	950.8	1,071.8	1,093.3
Grants to support capital expenditure	128.2	125.0	134.0	1,289.5	1,563.8
Borrowing	1,352.0	0.0	0.0	0.0	0.0
Crossrail funding sources – non-OSD	70.4	765.0	69.0	0.0	0.0
Revenue contributions	-1,217.3	800.0	1,106.2	918.1	932.0
Working capital and reserves movements	726.4	-89.6	-61.0	0.0	0.0
Total funding	**2,080.1**	**2,821.5**	**2,519.1**	**3,478.4**	**3,837.1**

OSD - Over Station Development

Table 3: TfL - Capital financing costs

Capital financing costs	2021-22	2022-23
	£m	£m
TfL		
Provision for repayment of debt	56.1	56.1
External interest	541.7	537.6
TfL Total	**597.8**	**593.7**

Tables 4 and 5: TfL - Borrowing limits

Authorised limit for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
TfL					
Borrowing	14,029.3	14,029.3	13,994.8	13,994.8	13,994.8
Long term liabilities	209.0	862.5	820.8	778.9	733.5
TfL Total	**14,238.3**	**14,891.8**	**14,815.6**	**14,773.7**	**14,728.3**

Operational boundary for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
TfL					
Borrowing	13,164.3	13,164.3	13,127.5	13,092.5	13,022.5
Long term liabilities	209.0	612.5	570.8	528.9	483.5
TfL Total	**13,373.3**	**13,776.8**	**13,698.3**	**13,621.4**	**13,506.0**

Tables 6 and 7: Revisions to TfL's in year Borrowing limits for 2020-21 being consulted on

Authorised limit for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Change 2020-21 £m
TfL			
Borrowing	14,029.3	14,029.3	0.0
Long term liabilities	209.0	862.5	653.5
TfL Total	**14,238.3**	**14,891.8**	**653.5**

Operational boundary for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m
TfL			
Borrowing	13,164.3	13,164.3	0.0
Long term liabilities	209.0	612.5	403.5
TfL Total	**13,373.3**	**13,776.8**	**403.5**

London Legacy Development Corporation

Table 1: LLDC - Subjective analysis

Subjective analysis	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Employee expenses	9.2	8.5	9.0	9.1
Premises costs	1.2	1.2	1.2	1.6
Supplies and services	44.1	36.2	36.8	35.7
Income/savings to be identified	0.0	0.0	0.0	-4.3
Financing costs	11.8	10.9	11.8	14.0
Total expenditure	**66.3**	**56.8**	**58.8**	**56.1**
Total income	-15.3	-13.2	-15.1	-15.9
Transfer to/ (from) MDC reserve	-6.6	3.0	-5.1	0.0
Net expenditure	**44.4**	**46.6**	**38.6**	**40.2**
Retained business rates*	32.6	35.7	26.8	26.2
GLA funding for financing costs	11.8	10.9	11.8	14.0
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**

*Includes GLA COVID-19 Support

Table 2: LLDC - Draft capital spending plan

Draft capital plan	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m	Plan 2023-24 £m	Plan 2024-25 £m
Expenditure					
East Bank	89.0	178.4	167.5	62.3	14.3
Development	24.5	8.8	20.5	28.7	17.1
Stadium	15.9	3.5	2.9	2.9	3.0
Park and Venues	9.4	3.0	3.9	2.3	1.4
Regeneration	0.6	0.2	0.3	0.2	0.2
Finance, Commercial and Corporate Services	3.1	2.0	1.7	1.7	1.5
Corporation Tax and Contingency	11.2	8.5	0.9	0.7	1.7
BBC/UAL loan*	0.0	22.9	17.1	39.0	-3.4
Other	17.6	0.0	0.0	0.0	0.0
Total expenditure	**171.3**	**227.3**	**214.8**	**137.8**	**35.8**
Funding					
Capital receipts	10.9	48.2	11.6	10.5	13.9
Capital grants and third-party contributions	67.3	45.9	38.8	55.3	7.9
Borrowing	17.3	41.6	106.2	23.1	14.0
GLA grant	75.8	91.6	58.2	48.9	0.0
Total funding	**171.3**	**227.3**	**214.8**	**137.8**	**35.8**

*Cash timing adjustments for BBC and UAL (University of the Arts London) loans

Table 3: LLDC - Capital financing costs

Capital financing costs	2021-22 £m	2022-23 £m
LLDC		
Provision for repayment of debt	11.8	14.0
LLDC Total	**11.8**	**14.0**

Tables 4 and 5: LLDC - Borrowing limits

Authorised limit for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
LLDC					
Borrowing	520.0	520.0	520.0	520.0	550.0
LLDC Total	**520.0**	**520.0**	**520.0**	**520.0**	**550.0**

Operational boundary for external debt	Current Approval 2020-21 £m	Revised Approval 2020-21 £m	Proposed 2021-22 £m	Proposed 2022-23 £m	Proposed 2023-24 £m
LLDC					
Borrowing	520.0	520.0	520.0	520.0	550.0
LLDC Total	**520.0**	**520.0**	**520.0**	**520.0**	**550.0**

Old Oak and Park Royal Development Corporation

Table 1: OPDC - Subjective analysis

Subjective analysis	Revised Budget 2020-21 £m	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Employee expenses	4.1	3.6	4.0	4.0
Supplies and services	3.0	2.6	2.5	2.6
Total expenditure	**7.1**	**6.2**	**6.5**	**6.6**
Total income	-0.3	-0.3	-0.3	-0.3
Transfer to/ (from) MDC Reserve	1.0	1.9	0.0	0.0
Net expenditure	**7.8**	**7.8**	**6.2**	**6.3**
Retained Business rates	7.8	7.8	6.2	6.3
Mayoral Development Corporation Reserve	0.0	0.0	0.0	0.0
Council tax requirement	**0.0**	**0.0**	**0.0**	**0.0**

GLA Group Savings and Collaboration

Shared services and collaboration across the GLA Group and with external partners
The GLA has set a clear strategic direction to deliver efficiency and value through collaboration for all organisations in the GLA Group. Currently, there are many shared service and collaborative arrangements between members of the GLA Group. These include formal contractual relationships that have been established such as in the transport policing arrangement between MOPAC and TfL. Each arrangement is led by a member of the Group and some of the arrangements include a collaborative procurement programme; shared services such as treasury management, audit and financial services; and shared location arrangements. All are expected to deliver efficiency gains and/or cashable savings.

A collaboration programme is in place, overseen by the GLA Group Collaboration Board, in order to identify and deliver further efficiencies across the GLA Group in back office and policy and delivery areas. The Board has senior executive representatives from across the GLA Group and from the London Ambulance Service. At present the Board oversees, and gives strategic direction, to a range of collaboration projects and the following strategic collaboration committees: Information Technology; Estate and Facilities Management; Procurement; Human Resources; and Finance and other Professional Services.

Key current collaboration projects include:

- the **Group-wide longer-term accommodation strategy** which will co-ordinate the most efficient use of the office estate (further details below);
- the **pan-GLA talent management and redeployment initiative** which will explore how we can best attract, manage and retain talent across the GLA Group. This has the potential to bring efficiencies and cost savings directly through reduced redundancy costs and indirectly through increased retention and reduced recruitment costs;
- The **commercial energy project** which can help the GLA Group to save costs, manage risks and generate a revenue stream by optimising its energy demand through integrating it with its investment strategy and deploying electric vehicle (EV) infrastructure on its estate. Analysis indicates that if successful this could deliver benefits to the Group of the order of the low tens of millions of pounds per year over the coming decade in addition to helping to drive decarbonisation.
- a review of the **GLA and TfL Spatial Planning functions** to understand the synergies across both teams;
- developing a common set of principles and policies to underpin the Group approach to **grants management** which is expected to provide efficiencies in stakeholder management and administration processes, and;
- as part of its Chief Officer's transformation programme, the GLA is considering the feasibility and benefits of the potential delivery of GLA HR and IT services through shared service arrangements with TfL. The GLA currently provides a range of these services to both itself and to other GLA Group members.

Summary of other key shared service arrangements
The GLA and functional bodies have existing shared services arrangements, and all deliver cashable savings and/or efficiency gains. The key arrangements are set out below:

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

It is also important to recognise collaboration and the sharing of services beyond the Group. Examples include collaboration between TfL and London boroughs, the MPS and other police forces and between the GLA and the City of Westminster in respect of facilities management.

The GLA Group accommodation strategy
The GLA Group accommodation strategy is a strategic approach to non-operational space, that sets a direction of travel for greater estates collaboration among the GLA Group and Family Members. The principles include but are not limited to:

- delivering a shared hubs model;
- a long-term preference for holding freehold over leasehold assets; and
- optimising underutilised space within the GLA Group and Family Members.

Most member bodies are already on a journey to achieve savings in their estate's portfolios. The accommodation strategy presents a GLA Group approach which is designed to help deliver additional benefits at the group level while enabling member body plans. The programme focuses on the Net GLA Family Benefit across all member bodies on an incremental basis, rather than an individual Member or Property perspective. Savings identified for 2021-22 are £4.6 million, for 2022-23 are £17.1 million, and for the period up to 2030 savings exceed £100 million. These figures do not include any transfers from reserves and only reflect net savings to the GLA Group.

In addition to the above, the Metropolitan Police Service will deliver £49 million per annum of annual estate savings by 2024-25 through rationalising its estate based on changing the way police officers and staff use the estate; this will be supported by the refurbishment of a number of retained buildings to create modern working environments and the continued implementation of mobile and collaborative technology.

The GLA Group collaborative procurement function

The GLA Group Collaborative Procurement Team (CPT) manages the common and low complexity procurement expenditure of indirect categories (i.e. goods and services purchased for internal use) for the GLA and its functional bodies. Between 2015-16 and 2018-19 spend in categories in scope (for GLA, LFB, LLDC, OPDC and TfL) was reduced by £200m (36 per cent), with the greatest reduction (19 per cent) between 2017-18 and 2018-19. In 2019-20 total spend across GLA Group for in scope categories was circa £443 million. In December 2019 a detailed business case was approved by the GLA Group Collaboration Board, which outlined a three-phased approach to deliver greater value from collaborative procurement, this included working towards a further 20 per cent cost reduction. Phase one includes improving the service, ways of working and Functional Body engagement. Activity to support the delivery of phase one has been ongoing throughout 2020. Phase two will include expanding the scope of categories managed by the CPT.

The GLA Group Treasury and the Group Investment Syndicate (GIS)

The GLA has established a shared treasury management function across the whole of the GLA Group (excluding TfL but including the London Pensions Fund Authority). GLA Group Treasury manages the participating bodies' c.£5 billion of investments and c£5.5 billion of borrowings. The GIS is a collective investment arrangement to pool the participants' cash balances. The shared function has been able to generate significant additional income from investments, without undertaking greater risk, and optimise borrowing decisions across the Group through economies of scale. It also provides a more resilient function for the Group, than was available individually. The shared service together with the GIS and a new fund for core reserves, the London Strategic Reserve (LSR), is being developed to enable other parts of London government to enjoy these benefits.

Business rates and council tax maximisation programmes

The GLA seeks to maximise income from council tax, business rates revenues – including the Crossrail business rate supplement – in partnership with the 33 local billing authorities which collectively are expected to generate around £3.3 billion of revenues for GLA services, capital spending or to finance borrowing across the GLA Group in 2021-22. This has become even more critical in light of the economic impact of COVID-19 on these key revenue streams. The Mayor approved £16 million for this work in March 2020 through Mayoral Decision 2618 across the 2020-21, 2021-22 and 2022-23 financial years, including £5 million in 2021-22, and all 33 London billing authorities have been awarded funding for revenue maximisation projects.

This initiative demonstrates the GLA's commitment to working with boroughs and the Corporation of London for London's benefit, as nearly £14 billion is expected to be collected in 2021-22, in council tax, non-domestic rates and the Crossrail business rates supplement across the capital assuming the retail, leisure, hospitality and childcare rate relief business rates schemes in place for 2020-21 which reduced revenues by just over £3 billion do not continue.

Savings and efficiencies across the GLA Group

In light of the likely reductions in business rates and council tax income available to the GLA Group as a result of the Covid-19 pandemic, the Mayor's Budget Guidance for 2021-22, published in June 2020 set out savings targets for the constituent bodies of the Group. The savings targets identified for 2020-21 and 2021-22 in Scenario 3 of the Budget Guidance are shown in the table below, as amended by Mayoral Decision 2695 to allow some savings to be deferred given the flexibilities announced by the Government in July 2020.

Mayor's Budget Guidance 2021-22: Scenario 3 savings targets	2020-21 £m	2021-22 £m
GLA: Mayor	13.5	30.0
GLA: London Assembly	0.5	1.4
MOPAC	22.75	63.8
LFC	5.0	15.0
TfL	75.5	211.9
LLDC	7.4	2.1
OPDC	1.0	1.6
Savings reserve (reduces savings targets form Scenario 3 for Mayor, Assembly, MOPAC, LFC)	41.7	0.0
Total	**167.3**	**325.8**

The total savings and efficiencies which have been presented in the 2021-22 budget process across the Group are summarised, on a year-by-year basis, below for the years 2020-21 to 2022-23.

Savings and efficiencies identified	2020-21 £m	Forecast 2021-22 £m	Forecast 2022-23 £m
GLA: Mayor	13.5	38.9	0.0
GLA: London Assembly	0.8	1.1	0.0
MOPAC	23.3	69.3	30.7
LFC	1.0	4.2	8.2
TfL	323.6	100.5	143.3
LLDC	9.5	0.1	0.0
OPDC	1.0	0.6	0.5
Total	**372.7**	**214.7**	**182.7**

Summary of Revenue Expenditure and Financing

Introduction

The tables below summarise how the net expenditure (financing requirement) and council tax requirement is calculated for the GLA and each functional body in 2021-22.

	Gross expenditure	Fares income	Other General income	Net Expenditure before use of reserves	Use of reserves	Net Expenditure after use of reserves
	£m	£m	£m	£m	£m	£m
MOPAC	**3,989.7**	**0.0**	**-290.2**	**3,699.5**	**-140.4**	**3,559.1**
GLA Mayor	1,668.1	0.0	-246.8	1,421.3	-93.4	1,327.9
GLA Assembly	7.0	0.0	0.0	7.0	0.0	7.0
LFC	489.3	0.0	-41.2	448.1	-23.0	425.1
TfL	7,525.8	-3,275.6	-1,266.6	2,983.6	875.1	3,858.7
LLDC	58.8	0.0	-32.0	26.8	0.0	26.8
OPDC	6.5	0.0	-0.3	6.2	0.0	6.2
Total other services	**9,755.5**	**-3,275.6**	**-1,586.9**	**4,893.0**	**758.7**	**5,651.7**
Total GLA Group	**13,745.2**	**-3,275.6**	**-1,877.1**	**8,592.5**	**618.3**	**9,210.8**

Note: Above figures for GLA: Mayor include forecast business rates levy and tariff payments to MHCLG of £844.5 million which will not be confirmed until the final local government finance settlement and billing authority forecasts are received in late January. GLA: Mayor figures also include £6.9 million of budgeted expenditure on other group items.

Council tax requirement and Band D council tax

	Net Expenditure after use of reserves	Specific Government grants	General Government grants	Extraordinary Grant	Business rates	Council tax requirement	Band D amount
	£m	£m	£m	£m	£m	£m	£
MOPAC	**3,559.1**	**583.1**	**2,181.3**	**0.0**	**27.9**	**766.8**	**267.13**
GLA Mayor	1,327.9	345.3	25.0	0.0	895.2	**62.5**	21.70
GLA Assembly	7.0	0.0	0.0	0.0	4.5	**2.5**	0.87
LFC	425.1	33.3	0.0	0.0	228.1	**163.7**	56.87
TfL	3,858.7	12.6	0.0	3,023.2	773.7	**49.2**	17.09
LLDC	26.8	0.0	0.0	0.0	26.8	**0.0**	0.00
OPDC	6.2	0.0	0.0	0.0	6.2	**0.0**	0.00
Total other services	**5,651.7**	**391.2**	**25.0**	**3,023.2**	**1,934.5**	**277.8**	**96.53**
Total GLA Group	**9,210.8**	**974.3**	**2,206.3**	**3,023.2**	**1,962.4**	**1,044.7**	**363.66**

Net revenue expenditure

The net revenue expenditure (or financing requirement) shown in the tables above – after allowing for the impact of variances in the collection of council taxes by London billing authorities – represents the sum of:

- revenue grants from the Government. These include general government grants (principally Home Office police grant and the TfL extraordinary grant) and specific grants (including, for example, Home Office police funding for counter-terrorism and fire revenue grants);
- retained business rates, including any related section 31 grants to fund rates reliefs; and
- each body's share of the council tax precept.

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

Net revenue expenditure (financing requirement)	**Revised Budget 2020-21 £m**	**Budget 2021-22 £m**	**Plan 2022-23 £m**
GLA Mayor	1,543.2	1,327.9	1,321.9
GLA Assembly	7.7	7.0	7.1
MOPAC	3,633.6	3,559.1	3,582.8
LFC	436.6	425.1	436.9
TfL	3,570.7	3,858.7	2,562.0
LLDC	46.6	26.8	26.2
OPDC	7.8	6.2	6.3
Net revenue expenditure	**9,246.2**	**9,210.8**	**7,944.1**

Note: GLA Mayor figure includes £850.4 million of budgeted expenditure on group items.

Retained business rates funding

The table below sets out the provisional allocation of retained business rates by the Mayor across the GLA Group for 2021-22, reflecting current assumptions on the financial impact of the 67 per cent business rates retention GLA partial pilot. It also includes the estimated tariff and levy payments the GLA will make to the Government either directly or, if it continues, through the London pool which cannot be confirmed until the final local government finance settlement is published. The allocations for 2021-22 are indicative and will be reviewed before the Mayor's final draft budget to take into account the returns submitted by the 33 London billing authorities in late January 2021; adjusted to reflect any final distribution mechanism agreed between the GLA and the 33 London billing authorities for the 67 per cent business rates retention pool - if it proceeds - as well as the impact of the schemes for the spreading of 2020-21 collection fund deficits over three years and the Government's compensation for 2020-21 irrecoverable losses. The Mayor will initially seek to manage any volatility arising from these forecasts through the GLA's business rates reserve. Appendix I outlines the assumptions made in more detail for 2021-22 and subsequent years, having regard to the uncertainty associated with the structure of the business rates retention system beyond 2021-22.

Proposed allocation of retained business rates income (including section 31 grants) in 2021-22

	GLA Mayor £m	GLA Assembly £m	TfL £m	LFC £m	MOPAC £m	LLDC £m	OPDC £m	Group Items £m	Total £m
Total funding allocated to GLA and functional bodies for revenue services	44.8	4.5	773.7	228.1	27.9	27.9	6.2	5.9	1,117.9
Total funding allocated to GLA and functional bodies for capital spending	0.0	0.0	930.2	0.0	0.0	0.0	0.0	0.0	930.2
Total Tariff/levy payment to MHCLG	0.0	0.0	0.0	0.0	0.0	0.0	0.0	844.5	844.5
Total	**44.8**	**4.5**	**1,703.9**	**228.1**	**27.9**	**27.9**	**6.2**	**850.4**	**2,892.6**

Council tax calculations

The difference between net revenue expenditure and the sum of grant funding from the Government and retained business rates from the Mayor represents the amount to be raised from council tax. As outlined in Section 1, this sum is recovered by issuing precepts on the City of London and the 32 London boroughs (i.e. the council tax requirement) which are the statutory billing authorities for council tax, national non-domestic rates and the Crossrail business rate supplement in the capital. The council tax calculations in this budget also take account of the expected collection fund deficit in respect of council tax for 2020-21 of which one third is expected to be paid to billing authorities through an adjustment to their 2021-22 payment instalments to the GLA with the remainder being repaid in equal amounts in 2022-23 and 2023-24 under the three-year deficit spreading scheme.

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

Council tax requirement for police services

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

Council tax requirement for police services	Revised Budget 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
Net financing requirement	3,633.6	3,559.1	3,582.8
Government grants, council tax surplus and retained business rates	-2,866.5	-2,792.3	-2,788.9
Amount for police services	**767.1**	**766.8**	**793.9**

This is equivalent to a Band D element for police services of £267.13 for 2021-22 in the 32 London boroughs (£252.13 for 2020-21) reflecting the current proposed £15 or 5.9 per cent increase, as permitted in the provisional police settlement for 2021-22 and draft council tax referendum principles.

Council tax requirement for other services

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

Council tax requirement for other services	Revised Budget 2020-21 £m	Budget 2021-22 £m	Plan 2022-23 £m
GLA, LFC, LLDC, OPDC and TfL net expenditure	5,612.6	5,651.7	4,361.3
Government grants, council tax surplus, retained business rates and use of MDC reserve	-5,368.8	-5,373.8	-4,073.6
Amount for other services	**243.8**	**277.8**	**287.7**

This is equivalent to a Band D element for other services of £96.53 for 2021-22 in the 32 London boroughs (£79.94 for 2020-21). In the City of London this is the full Band D council tax amount for GLA services. The additional income generated as a result of increasing the Band D charge will be allocated to Transport for London and the London Fire Commissioner, as set out in the Section 1 of this draft budget.

Summary of proposed adjusted and unadjusted council tax by Band

The proposed adjusted basic amount of council tax is therefore £363.66 for a Band D property (i.e. £267.13 for the Mayor's Office of Policing and Crime plus £96.53 for non-police services) – this applies to taxpayers in the 32 London boroughs.

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

Band	2021-22	2020-21	Change
Band A	£242.44	£221.38	£21.06
Band B	£282.85	£258.28	£24.57
Band C	£323.25	£295.17	£28.08
Band D	**£363.66**	**£332.07**	**£31.59**
Band E	£444.47	£405.86	£38.61
Band F	£525.29	£479.66	£45.63
Band G	£606.10	£553.45	£52.65
Band H	£727.32	£664.14	£63.18

The proposed unadjusted basic amount of council tax is £96.53 – this is the sum paid by Band D council taxpayers in the City of London. Council taxpayers in the City of London, which is outside the Metropolitan Police District, contribute towards the costs of the City of London Police.

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

Band	2021-22	2020-21	Change
Band A	£64.35	£53.29	£11.06
Band B	£75.08	£62.17	£12.91
Band C	£85.80	£71.06	£14.74
Band D	**£96.53**	**£79.94**	**£16.59**
Band E	£117.98	£97.70	£20.28
Band F	£139.43	£115.47	£23.96
Band G	£160.88	£133.23	£27.65
Band H	£193.06	£159.88	£33.18

Council tax referendum thresholds

On 17 December 2020, MHCLG published the draft 2021-22 council tax referendum principles thresholds including those for the GLA as part of the local government finance settlement. The draft published referendum limit for the GLA's unadjusted basic amount of council tax for non-police services was an increase of 2 per cent or more in the Band D council tax. The draft published referendum limit for the GLA's adjusted basic amount of council tax for all services was an increase of more than £16.59 in the Band D council tax – reflecting the additional £15 permitted for policing.

Under those draft principles, the adjusted and unadjusted amounts of council tax proposed in this draft budget would be deemed excessive. However, as set out in Section 1, the Government invited the Mayor to propose how he would fund the cost of London-specific travel concessions for under 18s and the 60+ Oyster photocard, including through council tax, with the Government taking the necessary steps to allow the required precept increase without a referendum needing to be held. The Mayor has proposed that part of the cost of these concessions is met from council tax through an additional increase in the Band D amount by £15 for TfL compared to the amount proposed in the consultation budget proposals published in December 2020.

A final decision on the proposed precept levels for 2021-22 will be taken by the Mayor once the final referendum principles for the GLA have been published by the Government alongside the final local government finance settlement. The final excessiveness principles for the GLA and other English local authority, police and fire bodies will be subject then to a vote in the House of Commons. The Mayor's final draft budget proposals in February will contain a formal determination by the Mayor regarding his compliance with the council tax referendum thresholds, as required by the relevant legislation, reflecting the implications of the wording of the final approved referendum principles report.

Funding Assumptions

Introduction

This Appendix sets out the assumptions underpinning the main funding sources for the 2021-22 budget, including any impacts arising from the expected reductions in revenues for 2020-21. It also highlights the lack of certainty for the years beyond 2021-22 ahead of the multi-year spending review expected to take place in late 2021, the implementation of the local government fair funding review and reset of business rates growth expected no earlier than April 2022 and the outcome of the Government's fundamental review of business rates as a tax, which is expected to conclude in Spring 2021. In addition, there is significant uncertainty about the ongoing effect on the business rates and council taxbase as a result of the economic impact of the COVID-19 pandemic.

2021-22 Local Government and Fire Finance Settlements

The Ministry of Housing, Communities and Local Government published the provisional local government and fire finance settlement on 17 December 2020. The estimates in this budget have regard, where possible, to the announcements made in the provisional settlement.

Since 2017-18 all former fire and rescue and GLA general funding as well TfL's former DfT general and investment grants, together with MOPAC's share of prior year council tax freeze grants, has been provided to the Mayor through locally retained business rates. Core Home Office policing grant is provided separately as set out below.

As announced in the Spending Review on 25 November, the Government is proposing to increase overall core funding levels in 2021-22 (i.e. settlement funding baselines) on average in line with the 0.5 per cent increase in September 2020 CPI. This uplift will be met for the GLA – which no longer receives revenue support grant – via additional section 31 grant, as the business rates multiplier for 2021-22 which would normally be increased by this percentage will be frozen. The GLA's settlement baseline funding level for 2021-22 is £2,220.7 million, albeit this figure is only notional as the actual revenue which will be received is determined by retained business rates income, subject to any safety net guarantee provided within the rates retention system. It does, however, form part of the calculation which determines the minimum guaranteed funding level the GLA would receive under the safety net mechanism provided by the Government irrespective of any losses in business rates income.

Since 2018-19 the Mayor has also allocated additional retained business rates income to fund policing, significantly above the baseline level set out in the Government's funding settlement – including the equivalent of just under £60 million annually to fund an additional 1,000 police officers since 2019-20. In 2021-22 and 2022-23 it is proposed that this amount be funded from MOPAC's reserves, reflecting the sums paid to MOPAC in advance for this purpose in 2019-20.

2021-22 Home Office Police Grant Settlement

The Home Office also published the provisional police settlement on 17 December 2020; this budget reflects the announcements in that settlement on grant allocations and the council tax referendum threshold for policing bodies. The provisional settlement includes allocations for the Home Office Police Grant and police formula grant (formerly paid by MHCLG), along with council tax support funding for local policing bodies and, for both MOPAC and the City of London Police, their National International and Capital City (NICC) allocations.

In the Spending Review on 25 November the Government announced an additional £400 million in funding for 2021-22, to support the recruitment of up to 6,000 police officers in England and Wales. This supplements the funding for the first tranche of 6,000 officers for 2020-21 – out of which the MPS was allocated 1,369 – alongside £45 million allocated in 2019-20 to kickstart recruitment nationally. In the provisional settlement the Government announced the allocation of the additional 6,000 officers between forces, of which London has been allocated approximately 1,344 in the supporting tables. Further funding is expected in 2022-23 to allow recruitment of additional officers so the Government can meet its 20,000 national target.

In his 2019-20 budget the Mayor allocated £118.6 million in business rates to MOPAC in order to secure funding for 1,000 more officers than would otherwise be affordable in 2020-21 and 2021-22; equivalent to £59.3 million in each year. This decision was based on the assumption that there could be a two-year lag in the GLA receiving income relating to business rates growth for future financial years from April 2020 onwards, based on proposals for potential reforms to the business rates retention system being considered by the Government. Although the reforms have been delayed until at least 2022-23, MOPAC has already received the £59.3 million of funding needed to fund the 1,000 officers for 2021-22 and 2022-23, currently held within its earmarked reserves, consequently there is no need to allocate additional funding for these officers within the planning period set out in this draft budget.

Transport for London funding agreement with the Department for Transport

Following an agreement between the Mayor and the Secretary of State in March 2017, all former TfL general and investment grant support has been funded since 2017-18 through retained business rates. At the time, Department for Transport (DfT) set out their expectation that funding at levels equivalent to the investment grant set out in the 2015 Spending Review settlement should continue to be spent on capital projects.

In 2021-22, the GLA's retained business rates funding baseline as set out in the MHCLG settlement includes an estimated notional £1,016 million in respect of the investment grant formerly paid by the DfT and a further £0.8 billion of residual former DfT operating grant. The Government has not yet confirmed any funding levels for TfL – including for capital investment – within the rates retention system beyond April 2022, as is the case for local government and fire services generally.

The £27 million grant previously paid to TfL for London Overground Rail Operations Ltd (LOROL) ceased from April 2020. TfL receives other revenue and capital specific grants for specific programmes and projects which are agreed and paid separately.

Following the reduction in fare revenues due to the COVID-19 pandemic, the Mayor and the Secretary of State for Transport agreed a £1.6 billion funding support package with DfT for the first half (H1) of 2020-21 and up to an additional £1.8 billion for the second half (H2). Of this support just over £2.8 billion is being met by direct grant and the balance via increased borrowing approvals. This is being paid via the GLA as GLA transport grant under s101 of the GLA Act. Negotiations are ongoing regarding the level of support required by TfL over the next two years, and arrangements thereafter based on the Financial Sustainability Plan which was submitted to DfT by TfL on 11 January 2021.

For this reason, the TfL budget includes an indicative funding assumption reflecting the sums it considers are required to deliver a balanced budget for 2021-22 and 2022-23.

Funding assumptions for retained business rates in 2021-22

The Government confirmed in the Spending Review that the GLA's 67 per cent retention partial pilot – reinstated in 2020-21 following the end of the 75 per cent London wide pilot in 2019-20 – would continue in 2021-22.

All of the GLA's core general grant funding for non-police services from central government has been replaced by retained business rates since April 2017 when the GLA's residual revenue support grant – the majority of which relates to funding for fire and rescue services – and TfL's capital investment grant were also rolled into its funding baseline. The GLA will again receive 37 per cent of business rates income in 2021-22 and the 33 London billing authorities 30 per cent, prior to the tariff or top up adjustment (i.e. the amount by which the estimated business rates baseline excluding growth exceeds or is below the settlement funding baseline for each authority) and levy on growth payments due to or from the Government.

The GLA is a tariff authority in 2021-22 and will make a forecast contribution of over £812 million to MHCLG to subsidise local services elsewhere in England based on its share of revenues assumed to be collected from London's business ratepayers. The remaining 33 per cent of business rates income not retained locally will be paid directly to central government by the 33 local authorities via the central share. In the event its business rates income exceeds its baseline it would also pay a levy on any growth to MHCLG.

Due to the additional significant risks associated with a potential downturn in business rates revenues, which could require some pool members to contribute towards the cost of the safety net guarantee for others rather than the entire burden falling on the Government, it has been agreed that the London business rates pool will be suspended for 2021-22. The Mayor, the Chair of London Councils and the Chairman of the Corporation of London's Policy and Resources Committee (in its role as lead authority) wrote to the Secretary of State on 12 January confirming this decision. The joint working and policy and administrative support to member authorities through the pool will continue, however, even though formal legal pooling infrastructure will not. The suspension of the pool means that – as was the case before 2018-19 – the GLA and the 33 billing authorities will operate independently within the business rates retention system in 2021-22. The GLA will pay its tariff and levy payments directly therefore to MHCLG rather than through the pool.

The actual combined tariff and levy payable by the GLA will not be able to be confirmed until the final local government settlement is published, and the 33 billing authorities have confirmed their forecast business rates revenues in late January. At this stage the total forecast combined tariff and levy payment estimated to be payable by the GLA to MHCLG for 2021-22 is £844.5 million.

The table below shows the statutory shares of retained business rates for the GLA, the 33 billing authorities in London and central government in each year since the business rates retention system was introduced in April 2013, along with a statement as to whether a levy was payable on growth to the Government and a London-wide pool was in place.

Business rates retention: shares of retained rates and pool/levy position	2013-14 to 2016-17 %	2017-18 %	2018-19 %	2019-20 %	2020-21 and 2021-22 %
GLA	20%	37%	36%	27%	37%
33 billing authorities	30%	30%	64%	48%	30%
Share retained locally	50%	67%	100%	75%	67%
Central Government	50%	33%	0%	25%	33%
Levy on growth in place	Yes	Yes	No	No	Yes
London pool in place	No	No	Yes	Yes	Yes, in 20-21; no in 21-22

Local authorities including the GLA will continue to receive section 31 grants in respect of Government initiatives and policy changes which reduce the level of business rates income, such as the change to the annual uprating of the NNDR multiplier from RPI to CPI introduced in 2017, the increased thresholds for, and the continued doubling of, small business rate relief and any continuation in full or in part of the retail, leisure, hospitality (RLH) and childcare provider relief schemes in place in 2020-21. These section 31 grants will continue to be paid directly to the GLA. The Chancellor is expected to announce in the Budget on 3 March what additional business rates relief schemes will be funded, if any, by the Government on a sectoral basis for 2021-22. At this stage, however, authorities have been requested by MHCLG to assume purely for planning and budgeting purposes that the current retail, leisure, hospitality (RLH) and childcare provider relief schemes will not continue.

In 2020-21 the GLA is expected to receive around £1.15 billion in section 31 grant from MHCLG to compensate for its share of the £3 billion cost of the RLH and childcare provider relief schemes in London. The recent announcement by several supermarket and retail chains that they will repay their 2020-21 relief to central government will not affect these assumptions as these represent voluntary repayments made to Government – the statutory relief applied to rates bills which will be compensated by section 31 grant remains in place. It will be for the Government to determine how it wishes to use these repayments, albeit noting that a proportion in London will include elements relating to relief granted for the Mayor's Crossrail business rate supplement.

The GLA's forecast retained rates income in 2021-22 as well as its combined tariff and levy payment to MHCLG will be set out in the Mayor's final draft budget taking into account the statutory forecasts of business rates income provided by the 33 local authorities at the end of January 2021.

Council tax assumptions

Each London billing authority is required to determine its council tax base for 2021-22 by 31 January 2021, reflecting council tax support arrangements and discounts. The taxbases of the 33 billing authorities together make up the taxbase used by the GLA for setting the council tax. The Mayor's draft budget assumes a reduction in the council taxbase of 5.65 per cent in 2021-22 at this stage, compared to the original budgeted 2020-21 taxbase.

This assumption reflects an estimated 7 per cent drop in collection levels and additional claims for council tax support from working age households offset by assumed growth in the property base and the compensation provided to billing authorities for council tax support costs by the Government. Billing authorities are also required to provide an estimated collection fund surplus or deficit outturn calculation for 2020-21 for council tax, taking into account expected collection rates, changes in the valuation list due to new properties being added and other changes since their original taxbases were set in January 2020.

The Mayor is proposing in this draft budget that the overall (adjusted) Band D council tax charge for the GLA will increase by £31.59 or 9.5 per cent in 2021-22, compared to the 2020-21 level. This level of increase applies to the precept for the 32 London Boroughs (the adjusted basic amount of council tax). An increase of £16.59, equivalent to a 20.8 per cent increase, is proposed to apply to the separate Band D charge for the City of London (the unadjusted amount of council tax) which is outside the Metropolitan Police District.

At this stage, the proposed increases would be deemed as 'excessive', according to the draft council tax referendum principles published by MHCLG on 17 December 2020. The Government has stated it will review the principles for the GLA in light of proposals from the Mayor to use council tax income to fund existing non-statutory concessions for under 18s and 60+ Oyster photocard recipients (noting that London boroughs fund the statutory freedom pass on off-peak services for those above state pension age as well as for disabled Londoners). The proposed council tax increases will be reviewed in the final budget in light of the final council tax referendum principles, which are expected to be published by MHCLG and approved by the House of Commons before the middle of February 2021.

Managing the impact of 2020-21 and 2021-22 business rates and council tax losses including Government schemes to allow local authorities to spread their 2020-21 council tax and business rates deficits over the following three budget years and the proposed compensation for up to 75 per cent of 'irrecoverable' 2020-21 losses.

The Mayor's budget guidance issued in June 2020 outlined expected council tax and business rates losses in the core scenario totalling £493 million for 2020-21 and 2021-22 compared to the allocations for those years in the Mayor's 2020-21 Budget approved in February 2020. This was on the basis that council tax losses would be in the region of 7 per cent and business rates losses around 11 per cent – with a higher monetary impact for the latter in 2021-22 due to the impact of the expected ending of retail, leisure and hospitality relief, reductions in rateable values being made by the Valuation Office Agency under material change of circumstances grounds arising from the impact of the pandemic and, as was expected at that time, a potential reset of business rates growth by the Government.

The most recent returns submitted to MHCLG by billing authorities in aggregate do not depart materially from these Budget guidance estimates although there are significant variations between individual authorities, generally reflecting relative deprivation levels and council tax support claimant counts for council tax, and the proportion of their taxbase accounted for retail, leisure and hospitality businesses in respect of business rates. These figures remain estimates, however, and the GLA will not have clarity on the deficits for 2020-21 and reduced taxbases for 2021-22 until all 33 local authorities submit their statutory returns and confirm their council taxbases by the end of January.

There remains further potential downside due to the potential longer term erosion to the business rates taxbase arising from the economic impact of the COVID-19 pandemic and thus the capacity of this revenue stream to meet the spending needs of local government in England in future. This includes an immediate risk through 'Material Change of Circumstances' (MCC) appeals currently being submitted by ratepayers that could lead to the Valuation Office Agency (VOA) introducing blanket, locality or sectoral based reductions to rateable values to reflect the impact of reduced rental levels in respect of offices and retailers and reduced turnover levels for leisure and hospitality businesses.

Speculative coverage in the media has suggested that an average 25 per cent reduction could be made to the rateable values of offices backdated to the start of the pandemic in March 2020, although this has not been confirmed by the VOA. Following the 2008 financial crash the VOA reduced rateable values on offices in the City of London and Canary Wharf in 2009 by an average of 10 per cent so there is precedence for such a scenario. As an illustration, a 10 per cent reduction in 2021-22 in rateable values in the City of London and Westminster alone would potentially reduce business rates income by up to £350 million before levy payments and safety net support – of which the GLA's notional 37 per cent share would be around £130 million – a loss which could persist at least until the planned national revaluation in 2023-24. However, the GLA would be protected by the Government's safety net mechanism – assuming this guarantee continues in its current form – if there was a wholescale reduction in the taxbase.

In order to allow local authorities to manage their 2020-21 deficits, the Government has laid the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) regulations which allow all English local authorities to spread their council tax and business rates deficits for 2020-21 over the next three budget years (i.e. 2021-22, 2022-23 and 2023-24).

The Government also confirmed in the provisional local government finance settlement that it would provide funding to cover up to 75 per cent of 'irrecoverable' losses for 2020-21. The indicative monetary value of this compensation will not be able to be calculated accurately until billing authorities provide their council tax and business rates returns to the GLA at the end of January and the associated final guidance and methodology is published by MHCLG. An estimate will be made in the final draft budget of the compensation which the GLA might expect to receive. The actual compensation from MHCLG will not be known with any certainty, however, until the outturn business rates and council tax income is confirmed by billing authorities in the summer or autumn 2021 through their statutory accounts and statistical year end reporting for 2020-21.

The estimates in this document also reflect the estimated impact of the Non-Domestic Rating (Rates Retention, Levy and Safety Net and Levy Account: Basis of Distribution) (Amendment) Regulations 2020 which alter the methodology for calculating retained rates income, levy and safety net payments for major preceptors which apply from 1 April 2020.

The Government has also announced £670 million of additional funding for council tax support costs in 2021-22 to meet the impact of increased caseloads arising from the economic impact of the pandemic including higher numbers of universal credit claimants. The provisional settlement proposed an allocation of £25.0 million for the GLA.

The Mayor – in Mayoral Decision 2695 – has already halved the savings requirement outlined in the Mayor's Budget Guidance for MOPAC, LFC, GLA: Mayor and GLA: Assembly budgets for 2020-21 by 50 per cent, compared to their share of the expected losses, reflecting an initial assessment of the potential impact of the deficit spreading scheme. The vast majority of business rates losses, however, are apportioned in the funding reductions announced to TfL reflecting their 75 per cent share of the GLA's business rates funding and their impact needs to be considered as part of their wider funding arrangements. The Government's schemes to date do not provide any additional support for business rates losses for 2021-22 or future years where our expected losses are greater due to the valuation risks outlined above.

Updated estimates of the impact of the Government's schemes will be provided in the final draft budget once the council tax and business rates taxbases for 2021-22 and the deficits for 2020-21 are reported by billing authorities and the final details of how those schemes will operate in practice are confirmed by MHCLG.

Funding levels from 2022-23 onwards

As a result of the one-year Spending Review for 2021-22, the Government has announced it will delay the previously planned implementation of reforms to local government finance until at least 2022-23, including the planned full reset of business rates retention baselines and the fair funding review of needs and distribution for local and fire and rescue authorities. The reset is expected to remove much of the business rates growth achieved locally since 2013-14 and redistribute this in line with the Government's revised estimates of spending need, taking into account the impact of the multi-year spending review and fair funding review. The fair funding review, if implemented, will also alter baseline funding levels, tariff and top up payments and levy rates on growth.

There are two other potential elements to the proposed reforms to the business rates retention and wider funding system which have also been delayed: increasing the proportion of business rates retained by the sector potentially to 75 per cent and changes intended to increase stability and certainty which may alter the basis on which growth is calculated and the timing of when it is paid.

There is also expected to be a revaluation of all non-domestic premises in England introduced from April 2023 – delayed from April 2021 – which will replace the existing April 2017 rating list. The revaluation will affect the business rates baselines and levy rates payable on growth by individual authorities. It is possible that the revaluation could create significant turbulence in business rates bills across the country as it will reflect estimated rental values at 1 April 2021 which could vary significantly from those in April 2015 which were used to compile the current rating list.

The Government is also undertaking a fundamental review of business rates as a tax with the stated objective of reducing the overall burden on ratepayers which is due to conclude in Spring 2021 although it is unclear when any recommendations arising from this will be implemented.

The delay to both the multi-year spending review and the local government finance reforms as well as the risk of a downturn in the business rates taxbase means there is significant uncertainty on the likely level of funding the GLA will receive through retained business rates and – in respect of MOPAC, Home Office policing grants – from 2022-23 onwards.

Conclusion

The decision of the Government for the second year running to only announce a one-year settlement alongside uncertainty around council tax and business rates revenues as well as lack of clarity about how the Government's proposed schemes to ameliorate the impact of losses for these revenue streams will operate in practice means there is currently considerable uncertainty around the revenue estimates set out in this budget for 2021-22 and beyond. Allocations of retained business rates and council tax are based on prudent forecasts of income for 2020-21 and 2021-22, but actual levels will not be confirmed until the returns estimating their forecast revenues for 2021-22 – including estimated 2020-21 collection fund deficits – are received from the 33 local billing authorities at the end of January 2021.

The long-term funding position beyond April 2022 is even more uncertain due the delay to the multi-year spending review and the implementation of planned reforms to local government finance including the fair funding review and business rates reset as well as the implications of the Government's fundamental review of business rates as a tax. It is unclear whether a multi-year settlement will be introduced in 2022-23 and when these other reforms will be implemented, if at all. This combined with the medium to long term risks to taxbases arising from the economic impact of the COVID-19 pandemic make forward planning with any degree of certainty extremely challenging.

Budget timetable and key dates

Date	Description
27 January 2021	Mayor to present his draft consolidated budget (this document) to the London Assembly.
25 February 2021	Mayor to present his final draft consolidated budget to the London Assembly.
28 February 2021	Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2021-22 and notify the Secretary of State for Housing, Communities and Local Government.
31 March 2021	Statutory deadline for the Mayor to approve the Authorised Limit for external debt (borrowing) for the functional bodies and the GLA alongside the Prudential Indicators and Capital Financing Requirements required by statute.

Summary of changes compared to the Consultation Budget

This list addresses material changes to this Budget compared to the consultation document, published in December 2020. It does not include minor typographical or wording changes, to improve clarity, which do not affect the substance of the budget proposals. Consequential changes in summary tables made as a result of the substantive changes identified below are not set out separately. Paragraph references relate to the numbering in this document, not the budget consultation document.

Throughout the document

Text revised to reflect impact of the provisional settlements for police and for local government and fire, including the draft referendum principles, details of which were announced after the Budget Consultation document was published in December 2020.

Mayor's Foreword

Deleted – superseded by Mayor's Background Statement in Part 1.

Section 2: Greater London Authority – Mayor of London

Council tax and business rates figures for 2021-22 and 2022-23 amended but the overall financing requirement total for GLA Mayor of London is maintained (see further explanation below).

Paragraph 2.7 - objective table forecasted outturn for 2020-21 updated and budgeted contingency figure for 2021-22 removed.

Section 3: Greater London Authority – London Assembly

As above, council tax and business rates figures for 2021-22 and 2022-23 amended to maintain overall control total but to increase the Assembly's share of council tax income. The council tax requirement for Assembly has increased by £0.46 million in 2021-22, offset by a reduction in its business rates allocation albeit retaining the same overall financing requirement. This is intended to provide greater certainty in funding moving forward for the Assembly in recognition of their high level of fixed costs as council tax revenues are subject to a lower level of volatility and risk in the current economic environment than retained business rates income. This share is maintained in 2022-23.

Section 5: Mayor's Office for Police and Crime

In addition to the overall changes outlined above, paragraph 4.17 has been updated to reflect the impact of the Chancellor's announcement of a public sector pay freeze for 2021-22.

Section 6: Transport for London

Council tax figures updated for 2021-22 to reflect Mayor's proposed increase to fund non-statutory travel concessions for under 18s and over 60s. Consequential amendments to figures for extraordinary grant and council tax income in 2022-23.

Section 7: London Legacy Development Corporation

Change made to objective table layout; GLA funding for COVID-19 costs now included.

Section 8: Old Oak Park Development Corporation (and Appendix F)

Business rates totals for 2019-20 amended to reflect original budget allocations.

Section 9: Capital Strategy

Change made to GLA: Mayor capital financing sources.

Appendix A: GLA: Mayor of London and London Assembly

Table 1 – Updated to reflect LCTS grant announced in local government provisional finance settlement for 2021-22.

Table 2 - Change made to capital financing sources and forecasted outturn for 2020-21.

Appendix E: London Legacy Development Corporation

Tables 4 and 5 updated to reflect correct revised approval for 2020-21.

Appendix I: Funding Assumptions

Text on funding assumptions for retained business rates for 2021-22 revised, to confirm London pool will no longer operate in 2021-22.

Other formats and languages

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Chinese
如果需要您母語版本的此文件，
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Vietnamese
Nếu bạn muốn có văn bản tài liệu này bằng ngôn ngữ của mình, hãy liên hệ theo số điện thoại hoặc địa chỉ dưới đây.

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

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

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

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

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

Urdu
اگر آپ اِس دستاویز کی نقل اپنی زبان میں چاهتے هیں، تو براہ کرم نیچے دئے گئے نمبر پر فون کریں یا دیئے گئے پتے پر رابطہ کریں

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

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

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PART 3

Draft consolidated budget 2021-22: Finance and legal advice

Page

Advice provided by the Executive Director of Resources

Advice provided by the Executive Director of Resources

1. Advice on budget process

The Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA's statutory Chief Finance Officer, to report on the robustness of the estimates. This is covered within the information and advice provided below.

A summarised version of the statutory budget process for 2021-22 is set out in the following table.

Budget process
The Mayor must prepare for each financial year a budget for each of the seven constituent bodies and a consolidated budget for the GLA Group as a whole (this is the GLA consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies.
Before arriving at the final version of the budget, a "draft component budget" for each component body will be the subject of consultation with the constituent bodies. Letters from the Mayor fulfilling this requirement were sent to MOPAC, LFC, TfL, LLDC and OPDC on 30 October 2020. The Assembly set out its proposals for the GLA: Assembly budget on 3 November 2020 and was consulted on the Mayor's draft proposed GLA: Mayor budget on 16 December 2020.
After preparation of and consultation on those drafts, the Mayor is required to prepare a draft of his proposed full consolidated budget for consultation with the Assembly. This was issued on 15 December 2020. The Assembly had resolved that the Mayor should consult its Budget and Performance Committee. Such consultation has occurred, and the Committee considered that document on 5 January 2021. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This has also occurred: on 15 December 2020 the Mayor published a "GLA Group Budget Proposals and Precepts 2021-22 Consultation Document", which was made available on the GLA website and sent to a range of local government, business and other stakeholder representative organisations.
Draft budget stage Following consideration of responses, the Mayor then determines a "draft consolidated budget" or "draft budget" (which contains draft component budgets for the seven bodies) publishes it and presents it to the Assembly at a public meeting. The draft budget that has been determined for 2021-22 is included at Part 2 and the statutory calculations required under the GLA Act are set out in Annex A to Part 1. The Assembly must approve this budget (the statutory calculations) with or without amendment. Amendments at this stage of the process can be made by a simple majority of Assembly Members voting (ignoring abstentions and absentees). If no amendments are passed, then the draft budget is deemed by law to have been approved without amendment.
Final budget stage The Mayor will then prepare and publish a final draft of his proposed consolidated budget ("final draft budget") for the next financial year. If the published final draft budget does not incorporate any amendments made by the Assembly at the previous stage or is otherwise different to the previous draft consolidated budget, the Mayor must lay a written statement before the Assembly giving reasons.

The final draft budget must be considered at a public meeting of the Assembly and approved with or without amendment before the last day of February. Any amendment must at this stage be agreed by at least two thirds of the Assembly Members voting (ignoring abstentions and absentees).

If no amendments are passed, then the final draft budget is deemed by law to have been approved without amendment. The resulting budget will be the approved consolidated budget for the financial year 2021-22.

What were the arrangements for developing the budget proposals?

The budget process itself involved:

- budget guidance issued by the Mayor;
- budget development by functional bodies and both parts of the GLA;
- budget submissions scrutinised and approved by the functional bodies before formal submission to the Mayor;
- Mayor's draft budget proposals considered, prepared and issued for public consultation; and
- scrutiny by the Assembly's Budget and Performance Committee throughout the process.

The Mayor issued guidance in June 2020 to the Greater London Authority and the functional bodies for preparing their budget submissions. The guidance sought to ensure that the Mayor's budget proposals were an accurate reflection of his priority aims and objectives within available resources and also covered how equalities and environmental impacts should be considered in the budget proposals.

There have been meetings and other consultation between functional bodies and GLA officers and these provided a vehicle to:

- review delivery of the 2020-21 budget and to judge outcomes;
- direct the 2021-22 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor's priorities;
- ensure that as far as practical there would be consistency and integration across the GLA Group on relevant issues;
- ensure that each body's submission was delivered as required; and
- ensure that the submissions could be readily consolidated into the Mayor's budget proposals and issued for consultation.

Throughout the process careful consideration has been given to the projected resource provision including responding to and taking into account Government consultations and announcements.

How can the estimates of income and expenditure be assessed as representing necessary and reasonable budget provisions?

To explain each component budget, there is generally a service analysis showing the spending plans for the two-year period 2021-22 to 2022-23 for the GLA and each of its functional bodies. This reflects the planning horizon which it is possible to make reasonable estimates for as the Government has only announced one-year spending targets for the 2021-22 financial year. This is complicated further by the fact that there remains significant uncertainty due to the impact of the COVID-19 pandemic on council tax, business rates and fare income, the Government's fundamental review of business rates and reforms to the local government finance system including the fair funding review which may or may not be implemented in 2022-23 or 2023-24.

Each service analysis shows:

- the net costs of providing the complete range of services provided by the body;
- sources of income;
- capital financing costs (including capital expenditure charged to revenue);
- transfers to and from reserves;
- any other financial changes and adjustments; and
- the resultant budget and council tax requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2020-21. Explanations have been provided for the changes in terms of:

- inflation;
- savings and efficiencies;
- net changes in service expenditure and income;
- changes in use of reserves;
- net change in government grants and retained business rates funding / resources allocated by the Mayor; and
- any other adjustments.

More detailed information has also been provided in the public documents relating to the budget proposals considered by the functional bodies and the Assembly's Budget and Performance Committee.

What internal and external scrutiny have the budget proposals had?

The budget proposals are based on submissions that have been subject to scrutiny and approval within the functional bodies. Developing budget proposals have also been scrutinised by the Assembly's Budget and Performance Committee and throughout the process further information has been provided in response to the Committee's questions and recommendations.

The Mayor's proposals were set out in the Budget Consultation Document that was circulated to London borough councils, the City of London Corporation, London Councils, and a range of business and other representative organisations. The Budget Consultation Document and details of how to respond to the consultation were also placed on the Greater London Authority's website, enabling members of the public to submit their comments. The views expressed in the initial stages of the consultation have been considered before finalising the draft budget proposals. The final draft budget will take into account a consideration of all of the responses received through the consultation process. A separate budget engagement process is also being undertaken through Talk London.

The Budget and Performance Committee's consolidated response to the Mayor's Consultation Budget was issued on 15 January 2021. The Mayor will consider the Committee's recommendations before publishing his final draft budget next month.

Conclusion

The estimates have been put together by, or with the involvement of, qualified finance staff in the functional bodies and the GLA and reflect the approval and scrutiny process as described above. The estimates represent the best available information held within the GLA about budget pressures and the resources available to meet them while recognising there is significant uncertainty around forecast council tax and business rates income for both 2020-21 and 2021--22 as billing authorities will not provide all their estimates until 31 January.

There are processes within each of the GLA Group's constituent bodies for proper consideration to be given before expenditure is sanctioned. Budget discipline is supported by a controlled virement system that maximises resource utilisation and allows emerging needs to be taken into account.

There are areas of significant risk and uncertainty in the budget, arising from the impact of the COVID-19 pandemic on business rates, council tax and fare revenues. Including tariff and levy payments due to MHCLG the GLA expects to receive around £1 billion in council tax revenues and over £3 billion in business rates income from London boroughs (including where applicable by MHCLG section 31 grant for Government funded business rates reliefs and the costs of capping the NNDR multiplier). There are significant savings included in the budget and the delivery of these will require positive management action.

As billing authorities have not yet provided their estimated council tax and business rates forecast outturns for 2020-21 – which will need to be adjusted for the impact of the deficit spreading and MHCLG 75 per cent compensation scheme – and estimates for 2021-22 there is a significant risk of material variances for 2020-21 and 2021-22 compared to the assumptions set out in this draft budget. In the event of an adverse variance, the control systems that operate throughout the Group allow for component budgets to be reviewed and adjusted accordingly. If there is an improved position this will be reflected in the final draft budget.

Irrespective of the immediate impact of the billing authority returns the scale of future savings required across the GLA Group in future years will continue to be substantial given ongoing uncertainties around the impact of the pandemic on revenues and costs in the medium term and lack of clear direction from the Government on funding arrangements beyond 31 March 2022. This will require intensive work to deliver and will place significant strain on officers across the whole Group.

Risks are mitigated by insurance arrangements across the GLA Group and by the existence of appropriate reserves. Across the GLA Group the risks associated with major contracts have been recognised and programmes to manage these risks introduced.

The GLA Group takes a prudent approach to the achievability of income and recovery of debts due, making appropriate provision for bad debts, and full provision for realistic estimates of future settlements of known liabilities. The level of external borrowing by authorities is considered affordable having regard to these factors.

Overall, on the basis of the information that has been provided to explain the Mayor's 2021-22 budget proposals, the estimates and budgetary provisions set out in the Budget documents represent reasonable and necessary financial provisions based, on the information available to him at this stage, consistent with the powers and service obligations of the GLA and the functional bodies, and which are the outcome of a robust budget development process. Advice on equalities implications, 2020-21 monitoring, reserves and balances, council tax referendums, future years' plans and the Assembly's powers to amend the budget is also provided in this document.

2. Advice on the equalities implications of the budget proposals

The relevant sections of Part 2 of the Budget set out a summary of each member of the GLA Group's consideration of equality issues in their budget proposals. This equality statement covers the Mayor's budget proposals for the 2021-22 financial year.

The GLA (Mayor and Assembly) and all five functional bodies must comply with section 149 of the Equality Act 2010, which provides for the "public sector equality duty (PSED)":

- this duty requires each body to have due regard to three outcomes: (1) the need to eliminate unlawful discrimination, harassment and victimisation; (2) to advance equality of opportunity between those who share a protected characteristic and those who do not; and (3) to foster good relations between such people;
- the protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation, and in certain circumstances civil partnership or marriage;
- compliance with the PSED may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people and encouraging them to participate in public life or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding; and
- in limited circumstances this may involve treating people with a protected characteristic more favourably than those without the characteristic, in particular, making reasonable adjustments for a disabled person and in some cases a pregnant worker can be treated more favourably. This is not to be taken as permitting conduct that would otherwise be prohibited by or under the Act.

Fulfilling the duty requires due regard that is appropriate in all relevant circumstances. This includes the budget development, preparation and approval process involving the GLA: Mayor, GLA: Assembly and each functional body and the subsequent expenditure involved in implementing their individual budget proposals.

Inclusive London is the Mayor's equality, diversity and inclusion strategy and includes relevant evidence and strategic objectives that set out what the GLA Group is aiming to achieve in relation to equality, diversity and inclusion. The strategy was published in May 2018. This goes beyond the nine protected characteristics set out in the Equality Act 2010, and, in particular, considers socio-economic inequality.

Each member of the Group was directed by the Mayor to assess their budget proposals against the broad question of how they will affect poverty and economic inequality in London, as well as the impact of proposals on the specific protected characteristic groups.

The development and implementation of programmes and projects within the budget framework set by the budget for each body will be subject to a full and detailed assessment of the likely impact on individuals in protected groups by the body concerned in accordance with the PSED and the *Inclusive London* strategy. This is, necessarily, iterative and on-going. It includes carrying out a process to identify and actively consider potential detrimental impacts (if any) that may arise for individual protected groups and what mitigations (if any) could be implemented to address them at a level proportionate to the decision being taken. The constituent bodies will continue to undertake this at a budget level and in the implementation of their individual policies, programmes and projects.

Funding allocations

The budget consultation document "GLA Group Budget Proposals and Precepts 2021-22" set out the Mayor's proposed funding allocations to the constituent bodies. The funding allocations are not specifically aimed at persons who share a protected characteristic. However, it is recognised that changes to funding allocations compared to the previous year could, without mitigating action and depending on the spending decisions made by the bodies themselves, potentially have an adverse impact on persons who share a protected characteristic - including through impacts on discrimination and other conduct prohibited under the Equality Act 2010; equality of opportunity; good relations between persons who share a relevant protected characteristic and those who do not; and the socio-economic status of groups and individuals.

The Mayor's proposed funding allocations for 2021-22 compared with the previous year are set out in section 1 of Part 2. In summary, the Mayor's proposed funding allocations:

- provide the functional bodies with as much certainty as possible over funding sources that are themselves uncertain and volatile;
- provide additional funding to MOPAC through increasing the Band D police element of the GLA precept by £15, in accordance with existing Government assumptions, and maintaining its core retained business rates funding;

- provide additional funding to LFC by raising its element of the precept by £1.59 for a typical Band D property and allocating it £228.1 million in retained business rates funding. This level of retained rates funding is £16.8 million (8 per cent) above the baseline for the fire and rescue element of the GLA's settlement funding assessment (which has been rolled into the GLA's retained business rates income since 2017-18);
- increase TfL's element of the council tax precept by £15, compared to the consultation budget, for a typical Band D property in order to maintain free bus and tram travel for under 18s and the 60+ Oyster photocard and allocating business rates funding of over £1.7 billion which partially replaces capital and operating grant which it formerly received through Department for Transport grant;
- decrease the resources originally allocated to OPDC from £7.8 million in 2020-21 to £6.2 million in 2021-22, and LLDC, from £37.5 million to £32.6 million on a like-for-like whilst maintaining a Mayoral Development Corporation Reserve; and
- reduce the resources available to both the GLA: Mayor and Assembly component budgets in 2021-22 after adjusting for the delivery of key recovery priorities, the additional financing costs for Crossrail and other changes to reflect the impact of the COVID-19 pandemic on business rates and council tax income in London.

Other revenues

The funding allocations are not the only source of income for the constituent bodies. They are also supported through locally raised and retained fees and charges including public transport fares and the congestion charge for TfL, as well as through a range of other Government grants for specific purposes. Any resulting reduction in a constituent body's income could have an effect on the ability of that body to incur expenditure on, in particular, advancing equality of opportunity between persons who share a protected characteristic and persons who do not share it. The impact will depend on the choices made by the constituent body and in making those choices the body is required to comply with the public-sector equality duty and also, as directed by the Mayor, the objectives set out in *Inclusive London* (including the question of how it will affect socio-economic inequality in London).

If the constituent bodies cannot mitigate any shortfall in funding through making efficiencies, pooling resources or other means, then services may have to be stopped, scaled back or re-shaped. Given that the constituent bodies provide a wide range of services, targeting or impacting upon persons who share a protected characteristic, there could be an impact upon such persons or groups as a result.

Impact of funding allocations and other revenues

It is not possible to predict how the proposed budget changes for 2021-22 will impact on specific persons who share a protected characteristic as this will be dependent on the decisions made by each constituent body on the allocation of its funding allocation from the Mayor and its other revenues.

The Mayor's proposed funding allocations do provide some mitigation of the potential impacts on persons who share a protected characteristic. They have been determined following a lengthy budget development process which has included the constituent bodies responding to budget guidance issued by the Mayor with budget submissions scrutinised and approved by them before formal submission to the Mayor. Throughout this process constituent bodies have been encouraged to consider equality and diversity issues and they have taken their own steps to comply with the public sector equality duty and the objectives set out in *Inclusive London*. An initial high-level summary of the equality implications of each constituent body was set out in the budget consultation document "GLA Group Budget Proposals and Precepts 2021-22", published in December 2020.

Also, the funding allocations provide funding protections for the functional bodies by providing them with as much certainty as possible over funding sources that are themselves uncertain and volatile; increasing funding for the police through increases in the precept; providing additional funding to the LFC through the precept and business rates; passing on in full the retained business rates for TfL which has replaced former Government operating and investment grants as well as identifying resources to ensure that concessionary travel schemes for the under 18s and all Londoners aged 60 and over continue and incorporating assumptions on Government support to manage the impact of reductions in fare revenues in 2020-21 and future years; and managing the uncertainties inherent in the retained business rates system through the Mayor's Business Rates Reserve.

Impact of increasing the council tax precept

For 2021-22, a financially balanced budget is proposed based on various new initiatives and service improvements, savings and efficiencies, income changes and use of reserves across all the constituent bodies.

The Mayor proposes an increase in the Band D precept paid by residents of the 32 London Boroughs from £332.07 to £363.66 – a rise of £31.59 or 9.5 per cent. This reflects the Mayor's additional funding allocated to MOPAC through a £15 increase in the police element of the precept – in line with the referendum limits set out in the Home Office Police settlement for all local policing bodies, a 1.99 per cent increase in the core non-police precept which allocated in full to the London Fire Commissioner and a further £15 increase in the TfL element of the precept to maintain free bus and tram travel for under 18s and the 60+ Oystercard. The proposed 2021-22 Band D precept for the Common Council of the City of London, which is outside the Metropolitan Police district, is £96.53 – £16.59 (20.7 per cent) greater than in 2020-21.

The additional amount payable for each household will be dependent on the council tax banding of the council tax payer's relevant property, whether they are eligible for any discounts or exemptions (e.g. the 25% single person discount) and any additional reductions council tax payers are entitled to under each billing authority's council tax support scheme. A household whose bill falls in Bands A to C or E to H will pay proportionately less or more respectively. The impact of the Mayor's precept increase by council tax band is set out in the table below.

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

Band	2021-22	2020-21	Change
Band A	£242.44	£221.38	£21.06
Band B	£282.85	£258.28	£24.57
Band C	£323.25	£295.17	£28.08
Band D	**£363.66**	**£332.07**	**£31.59**
Band E	£444.47	£405.86	£38.61
Band F	£525.29	£479.66	£45.63
Band G	£606.10	£553.45	£52.65
Band H	£727.32	£664.14	£63.18

The GLA element of the council tax will increase for all individuals who pay council tax (although this could be compounded by increases in the billing authority element of the council tax, particularly for the additional adult social care precept, but dependent on each individual billing authority's local council tax proposals).

As highlighted in the table above council tax is a regressive tax because the size of property does not equate to size of income of the occupier and the occupiers of the most expensive properties only pay twice the level of council tax paid for the average Band D property.

The Mayor has carefully considered these factors in proposing his precept increase and has taken the difficult decision to increase the precept and provide additional funding to the Metropolitan Police Service, London Fire Brigade and TfL, in the light of his commitments to increase the council tax where it is necessary to keep Londoners safe and to maintain key free travel concessions to young Londoners and those aged between 60 and the qualifying age for the statutory freedom pass funded by the 32 London boroughs and the City of London Corporation. So, the impact of the precept increase must be set against the benefits to some of the most deprived Londoners from investing in policing and continuing to provide free travel to those generally not of working age.

Around half of the council tax increase is being implemented to safeguard police funding; crime disproportionately affects those who have lower levels of income. The increase in the fire related element of the precept will help ensure the London Fire Brigade is adequately funded and enable it to implement the recommendations of the Grenfell Tower Inquiry. Londoners in poverty live disproportionately in flats and high-rise blocks.

The sums raised from the £15 Band D increase for TfL will be used to help maintain free travel for many low-income Londoners. Assuming a child fare for children aged over 5 equivalent to 50% of the £1.55 adult bus fare in place from March 2021 were introduced (i.e. 75p per journey rounded down) this would cost a family the equivalent of £15 per child every two weeks – assuming one return journey to and from school per weekday. Over a typical 40 week school year the cost per child would be £300 per annum – or £900 for a family with three children over five. For those children eligible for statutory free home to school transport there would also be an administrative cost and burden for London boroughs in identifying eligible children and issuing them with free passes.

According to the London Poverty Profile Study report published by the Trust for London, four in ten children in London (37%) live in households in poverty compared with 25% of working-age adults. The majority (54%) of lone-parent families are in poverty compared to only 13 per cent of households comprising couples without children. Lone parents not living with another eligible adult over 18 will also of course benefit from the 25% single person council tax discount before any council tax benefit is applied so would typically only pay £11.25 extra at Band D rather than £15 – so the financial benefit to them from maintaining the under 18 free bus pass is nearly 27 times greater than the typical increased tax liability they might face if they have one child aged over 5 and around 80 times if they have three children travelling to school by bus.

The same study has identified that there are over 250,000 pensioners living in poverty in London – or nearly one in four. There are also wider social, health and well-being benefits from encouraging those aged 60 or above to be more active and mobile by providing access for them to free public transport. This scheme is likely to result in reduced pressures and costs on other public services including the NHS and social care over time.

The GLA does not have equalities data covering the population spread across the council tax bands of individuals with protected characteristics including socio-economic status. However, it can probably be assumed that individuals with lower incomes are, in general, more likely to live in property that falls in the lower bands, thus reducing the monetary impact on such individuals of the council tax increase.

Council tax support (former council tax benefit)

Households which are exempt from paying council tax or who are eligible for council tax support for 100 per cent of their bill will experience no direct impact from an increase in council tax. However, the availability of full council tax support varies depending on the council tax payer's borough and place of residence and whether they have reached or are below their pension credit qualifying age.

Since the 2013-14 financial year, decision-making on the award of council tax support for working age households has been localised to individual billing authorities. These policies are determined in London by each of the 32 London boroughs and the Corporation of London. It is a statutory requirement for billing authorities to consult major precepting authorities (in London this is the GLA) on changes to council tax support policies; however, each billing authority is ultimately responsible for the design of its scheme, within the legislative framework set out by Government.

Under the localised system, eligible pensioner households continue to receive council tax support as previously under council tax benefit, but billing authorities are free to introduce their own local schemes for working age claimants below pension credit age. Of the 33 London billing authorities, in 2020-21 at least five have protected working age claimants by providing full council tax support on broadly the same basis as prior to 2013-14, subject to applicable uprating for inflation and other parallel changes in national polices for means tested benefits. The remainder have locally-designed schemes which require some or all working age claimants to contribute to the cost of the scheme by paying a share of their council tax liability or through adjustments to other criteria. For example, in some cases any impact is restricted to council tax payers in higher property bands, or who are not members of defined groups deemed more vulnerable.

The Government has provided some additional support for the costs of additional council tax support claims in 2020-21 of £500 million – worth typically £150 per working age household in receipt of council tax support. A further £670 million local council tax support (CTS) fund has been provided for 2021-22 to allow local authorities to manage the impact of additional CTS claims. Of this around £116 million is payable to London government of which £25 million will be received by the GLA based on its share of each London billing authority's Band D council tax in 2020-21. This is a discretionary resource for the Mayor to allocate and this sum is held within the balance on the GLA's group wide business rates reserve in this draft budget. This is marginally lower than the £26.2 million estimate included in the estimates included in the consultation budget.

Council tax support schemes for 2021-22 are not required to be confirmed until 11 March 2021. The GLA will therefore not have details of all council tax support schemes in London until after the Mayor's budget has been set.

In 2021-22, based on consultation proposals issued so far, the GLA understands that the minimum contribution for working age claimants in some boroughs could again be as much as 30 per cent of their council tax liability; although in nearly one third of boroughs working age claimants on the lowest incomes are eligible to receive up to 100 per cent support. In some authorities, council tax support entitlement is restricted only up to the equivalent Band D rate and therefore working age claimants residing in properties in Bands E to H do not receive additional support for the difference.

As stated above there are often more generous council tax support policies applied to certain defined groups. For example, while some authorities apply their policies consistently to all working age claimants, others offer greater levels of support to certain categories of claimant considered more vulnerable (e.g. disabled people, lone parents with young children and individuals in receipt of a war widow's or war disablement pension). A majority of boroughs have also removed or scaled back the 25 per cent second adult rebate for two-person adult households where one adult is on a low income. Savings limits, above which council tax support is withdrawn in full for working age households, vary from £6,000 to the default national guideline of £16,000 (which applies to pensioner claimants) in different boroughs.

Those who will feel the greatest impact from the increase in council tax are likely to be those whose circumstances mean that they are only slightly above the level at which they would become eligible for some council tax support. It is not possible to give a threshold of savings or income (or similar) below which an individual would be eligible for council tax support, or above which a person will not be eligible for council tax support because of the way in which benefits are calculated, the number of factors that must be taken into account, and the different schemes in operation in the London boroughs. However, it is likely that those whose financial circumstances place them only just above their local council tax support eligibility threshold will also have low levels of income/savings, relative to the rest of the population.

Eligibility for council tax support will therefore vary across London as it will depend on the local scheme determined by each London billing authority. In designing their schemes these authorities are required to consult with stakeholders when they make changes and are required to have regard to equalities legislation and duties when approving them.

The GLA does not have equalities data in respect of the 33 local council tax support schemes in London at individual property level which could be used to inform an assessment of the likely percentage of people in this group having a particular protected characteristic. Although, probably it can be assumed that, in general, those with lower income/savings relative to the rest of the population (but nevertheless above their local council tax support eligibility threshold) will include greater proportions of disabled people; black, Asian and minority ethnic (BAME) groups; lone parents (who are normally women); and families with young children than are present in the Greater London population as a whole. The increase in council tax marginally reduces their disposable income in both cash and real terms. For a working age claimant on a low income paying a minimum liability of 33 per cent (in a borough where that applies) the increase in the Mayor's precept would equate to only around 15 pence per week assuming they lived in a Band D property and were the sole adult liable to pay council tax in the household.

These variations in the schemes arise because of the Government's decision to localise decision making on the setting of council tax support. This means that working age claimants are subject to significant variations in their entitlements depending on where they live and the resources available to, and choices made by, their billing authority.

Impact of Transport for London fares proposals for 2021

As part of the funding settlement with Government dated 31 October 2020 the Mayor committed to implementing an overall increase on fares of Retail Price Index (RPI) +1 per cent. It is proposed that the fares increase will be implemented from 1 March 2021.

The funding settlement ensured that TfL can continue to deliver an effective and efficient transport service to Londoners throughout the COVID-19 pandemic and beyond.

The Mayor's fares decision is set out in MD2730 which was published on 14 January. Bus and tram single fares increase by 5p to £1.55 and the daily bus and tram Cap is raised to £4.65. The Bus & Tram Pass season price is increased to £21.90 for a 7 Day ticket. The Hopper fare, which was introduced in September 2016, will remain in place, permitting multiple free bus and tram transfers within an hour. On the Tube in Zones 1-6 and other rail services in London where Tube fares apply PAYG fares will typically increase by 10p or 20p. A number of fares, including PAYG fares for children, remain unchanged.

Travelcard prices and the associated PAYG caps will increase from 1 March by RPI+1 per cent. These increases reflect national government rail fares policy over which the Mayor has no control. As a result, Travelcard season ticket prices and the associated all day PAYG Travelcard caps increase by 2.6 per cent overall.

Fares on TfL services for journeys from outside London are subject to guidance from the DfT, with the same fares applying on Train Operating Company (TOC) and TfL services.

As part of the decision-making process in regard to the introduction of the fares freeze in place from 2016 to early 2021, TfL identified six groups of Londoners who typically face increased barriers to public transport use. These groups were BAME Londoners, women, older Londoners, younger Londoners, Londoners on low incomes (who tend to be women and older, BAME and disabled people, and those not in work), and lesbian, gay, bisexual and transgender (LGBT) Londoners. Londoners with protected characteristics who are likely to be affected by increases in fares, such as those on low incomes or those who rely on public transport, will especially benefit. However, the increases to Travelcard prices mandated by the train operating companies (TOCs) in line with inflation are likely to have an adverse impact.

Many of those who comprise the six groups above are likely to benefit from free travel concessions or discounted fares. All current concessionary fare schemes are being maintained in order to keep public transport accessible to people who face barriers to public transport use, and thereby offset or mitigate any detrimental impacts. From January 2022, TfL's plan assumes that fares again rise by around the retail price index plus one per cent, to support vital investment in public transport. This is only a business planning assumption by TfL as fares are set by the Mayor on an annual basis. The impact of any fare increase will be considered in detail, when final decisions are made on future years' fares.

3. Advice on 2020-21 financial monitoring

What are the arrangements for monitoring in the GLA and the functional bodies?

In his 2021-22 Budget Guidance issued in June 2020, the Mayor set out the requirement that the GLA and its functional bodies continue to provide timely and high-quality information in their quarterly monitoring reports. In particular, the aim is that all quarterly monitoring reports include both financial and performance information. The Budget Guidance also required the integration of capital and revenue planning together in each functional body's quarterly report.

These requirements built on the robust systems already in place for regular financial monitoring and reporting within each member of the GLA Group. The reports detail spending against profiled estimates and provide explanations of significant variances and proposals for any necessary corrective action. Progress on new initiatives, performance against key indicators and outturn estimates against approved budgets are also identified and explained. As the requirements of the users of the reports evolve, the format and content are being adjusted. This is an iterative process that is developed as new requirements are identified and the processes required to collate the necessary data are established.

Meetings between the Mayoral team and each functional body are held to consider the quarterly reports. These include discussion of progress with identifying and realising efficiencies and savings as well as potential future variances from budget. Regular officer meetings between the GLA and each functional body are held to discuss the budget process and to advise of any subsequent developments and resolve any queries that might arise. The reports are submitted on a quarterly basis to the Assembly's Budget and Performance Committee for each GLA Group member and scrutinised by the Committee.

Part 2 sets out the forecast outturn for each functional body for 2020-21 although it should be noted that these figures are likely to change before the end of the financial year.

Conclusion

An assessment of the current year's financial outturn is an important element in budgetary and precept deliberations for the forthcoming year. With further spending activity still to take place in respect of this financial year up to 31 March 2021 and with crucial transactions taking place beyond that date in finalising the accounts for the GLA and the functional bodies, it is not possible to say that other variations will not arise.

The processes in place throughout the GLA Group and the responsibilities placed on each Chief Finance Officer do however ensure that the outturn position is closely monitored, controlled and taken into account in preparing the estimates of income and expenditure for 2021-22. In particular, each body monitors progress against delivery of their budget and business plans, instigating any necessary remedial action. In turn, this monitoring is reported and reviewed by GLA finance officers and considered by both the Mayor and the Assembly on a regular basis.

Processes are also in place to ensure expenditure is controlled within the resources finally approved for each organisation. If any significant changes to the outturn forecasts emerge in the latest round of monitoring, advice will be provided in time for consideration of the Mayor's final draft budget proposals.

4. Advice on reserves and balances

Section 25(1) (b) of the Local Government Act 2003 places a duty on the Executive Director of Resources, as the GLA's statutory Chief Finance Officer, to report on the adequacy of the proposed financial reserves. This is covered within the information and advice provided below.

What are reserves and balances?

When reviewing their medium-term financial plans and preparing their annual budgets, local authorities should consider the establishment and maintenance of reserves.

Reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of **general reserves**;
- a contingency to cushion the impact of unexpected events or emergencies – this forms part of **general reserves**; and
- a means of building up funds to meet known or predicted requirements – this is often referred to as **earmarked reserves**.

What are the appropriate amounts to be held in reserves?

The existing legislation requires authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. It is the responsibility of the Chief Finance Officer to advise the authority about the level of reserves it should hold and to ensure that there are clear protocols for their establishment and use.

The protocols should set out:

- the reason for/purpose of the reserve;
- how and when the reserve can be used;
- procedures for the reserve's management and control; and
- a process and timescale for review of the reserve to ensure continuing relevance and adequacy.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on local authority reserves and balances. The Institute's view is that *"a generally applicable minimum level* [of reserves] *is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice"*.

The Institute confirms that *"local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers",* and that *"authorities should make their own judgements on such matters taking into account all the relevant local circumstances"*. In assessing the adequacy of reserves, the Chief Finance Officer should take account of the strategic, operational and financial risks facing the authority, as well as the importance of considering medium-term plans and forecasts of resources, in addition to short-term considerations.

Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves. However, the Government has undertaken to apply this only to individual authorities in circumstances where an authority does not act prudently, disregards the advice of its Chief Financial Officer and is heading for serious financial difficulty.

An authority's external auditor also has a responsibility to review the arrangements in place to ensure that financial standing is soundly based. This includes reviewing and reporting on the level of reserves, taking into account their local knowledge of the authority's financial performance over a period of time. It is not the external auditor's responsibility to prescribe the optimum or minimum level of reserves for an individual authority or authorities in general.

Advice: Below is advice on reserves and balances for the GLA and each of the functional bodies reflecting advice received from their own statutory Chief Finance Officers. Further commentary on reserves is outlined within the GLA and each functional body's section in Part 2, as well as their individual published budget proposals.

(a) Greater London Authority: Mayor of London

No changes are yet proposed to the GLA's policy on reserves at this stage. However, once the impact of the Government settlements for the GLA Group become clearer, and billing authorities returns on business rates and council tax are received at the end of January 2021, a re-assessment of the overall reserves position will be made.

The effect of successful business rate payer valuation appeals due to material changes of circumstance applied by the Valuation Office Agency, the increased costs of council tax support, and the upside and downside risks associated with the increase in the number of properties on the valuation risk and collection losses will be closely monitored. This will help ensure that volatility in the level of business rates retained by the GLA and in council tax income can be effectively dealt with, as well as ensuring that the Mayor's priorities can be implemented.

This review of the reserves policy which will be updated in the final draft budget will include advice on the need, as appropriate, to plan to re-build the GLA's reserves over future years' budgets.

General GLA reserves

At 31 March 2021 the GLA's general reserves balance is forecast to total £10.0 million and this balance is assumed at this stage to remain constant through to the end of 2022-23. This is in line with the GLA's policy to maintain a minimum general reserve balance of £10.0 million.

Earmarked Reserves

Earmarked reserves are forecast to reduce from £692.2 million at the end of 2020-21 to £245.6 million at the end of 2022-23.

This sum includes the Group wide Business Rates Reserve (BRR) and Savings Target Reduction Reserve which are used primarily to manage business rates and council tax income risk and volatility and the savings required resulting from this. It is estimated that the combined balance held on these two reserves will increase to £251.1 million by 31 March 2021 declining to £67.3 million by 31 March 2023. The reduction by March 2023 is primarily due to the impact of the three-year spreading required for 2020-21 in year council tax and business rates collection fund deficits. In the Mayor's final draft budget an assessment will be made of the impact of the Government support announced in the Spending Review to manage council tax and business rates losses following confirmation of the final methodology by MHCLG and the receipt of each London billing authority's estimated collection fund outturn data for 2020-21 at the end of January 2021.

Greater London Authority: London Assembly

The Assembly has a resettlement reserve which is held by the GLA. The forecast balance in the reserve is £1.4 million at 31 March 2021 and this is expected to reduce to £0.6 million by the end of 2021-22. This reflects the fact that main purpose of this reserve is to fund resettlement costs which will materialise in 2021-22 for those Assembly Members who will leave office following the 2021 GLA elections.

GLA conclusion

The Chief Finance Officer of the GLA judges the GLA's level of reserves to be prudent in the context of known future liabilities, risks and funding uncertainties facing the Mayor and the Assembly and will be reviewed and potentially revised once there is further clarity around the funding available from council tax and business rates in 2021-22 and future years.

(b) Mayor's Office for Policing and Crime (MOPAC)

MOPAC is forecasting general reserves of £67.5 million as at 31 March 2021; this level of reserves is forecast to be maintained at broadly the same level across the budget period to March 2022 when the balance is expected to be £65.7 million. MOPAC's policy is to hold general reserves of at least 1.3 per cent of net revenue expenditure; this level of reserves represents 1.3 per cent of the forecast outturn net revenue expenditure in 2020-21, in line with MOPAC's policy.

Earmarked reserves are forecast to reduce from £404.8 million at the end of 2020-21 to £265.3 million at the end of 2021-22 and to be reduced further to £178.7 million at the end of 2022-23. Earmarked reserves are being held for specific purposes. The balance held at 31 March 2021 includes £118.6 million to provide funding in 2021-22 and 2022-23 for the additional 1,000 officers funded from business rates growth announced in the Mayor's 2018-19 budget which is expected to be drawn down by March 2023. This accounts for the bulk of the movement, as well as investment in the Met's transformation and change programme, and managing one-off impacts to the medium-term budget. The forecast total balance by 2022-23 reflects planned spend on the programmes for which the reserves are held.

MOPAC conclusion

In the opinion of MOPAC's Chief Finance Officer the proposed approach remains prudent and MOPAC will have in place adequate earmarked reserves and general reserves.

(c) London Fire Commissioner (LFC)

LFC's general reserves at 31 March 2021 are forecast to be £15.6 million. They are assumed to remain at the same level across the period to the end of 2022-23. These reserves are based on a level equivalent to 3.5 per cent of budget, in line with LFC's policy.

It is forecast that LFC will hold £53.4 million of earmarked reserves at 31 March 2021; these reserves will reduce to £30.4 million by the end of March 2022 and then decrease in each of the following years to £24.9 million by the end of March 2023, as the budget flexibility reserve is fully drawn down.

The level of reserves will be kept under review and will reflect any updated assessments of financial risks.

LFC conclusion

The level of reserves is judged prudent by the Chief Finance Officer of the LFC in the context of known future liabilities, risks and funding uncertainties facing the organisation and will be kept under review.

(d) Transport for London (TfL)

At 31 March 2021 TfL forecasts general reserves of £150.0 million which are budgeted to remain at the same level throughout the period to 31 March 2023. TfL maintains a general fund to preserve adequate liquidity and protect from short term fluctuations in cash requirements.

It is forecast that TfL will hold £348.0 million of earmarked reserves at the close of 2020-21 with the balance forecast to rise to £799.0 million by the end of 2022-23. Earmarked reserves have been established to finance future projects.

TfL conclusion

The Chief Finance Officer of TfL considers that the level of reserves is appropriate to meet general requirements in the context of known future liabilities, risks and funding uncertainties facing the Corporation.

(e) London Legacy Development Corporation (LLDC)

As at 31 March 2021 LLDC will not hold any reserves. The LLDC's historic reserves are held within the MDC and LLDC Capital Funding Reserves, part of the GLA's reserves. LLDC's revenue expenditure and a significant proportion of its capital programme are funded by the GLA, the latter through direct grant contributions and a rolling loan facility. The loan is anticipated to be repaid over the long term. The LLDC and GLA carefully manage upside and downside risks associated with LLDC's expenditure and the impact of any such risks can be managed within the GLA budget generally and specifically through the use of contingency sums held within the budget and where necessary through the usage of the MDC Reserve.

The reserves (held by the GLA on behalf of LLDC) phase out over time, with LLDC estimated to be fully reliant on the GLA for revenue grant funding after 2021-22.

LLDC conclusion

The Chief Finance Officer of the LLDC, taking into account the management of any upside and downside risk through LLDC's own budget and noting the support of the GLA as set out above, considers that the level of reserves held within the MDC Reserve is prudent in the context of current known liabilities, but this will need to be kept under review in the light of future funding needs.

(f) Old Oak and Park Royal Development Corporation (OPDC)

OPDC has no reserves. A contingency is held within the earmarked MDC Reserve held by the GLA, as outlined above, to meet unexpected operational pressures.

OPDC conclusion

The Chief Finance Officer of OPDC, having taken into account that it is has potential access to the Mayor's MDC Reserve, considers that the reserves position is prudent, but will need to be kept under review in the light of future funding needs.

General conclusion

The above advice reflects the differing nature of the services provided by each organisation. Each body operates independently with its own statutory responsibilities for the proper administration of its financial affairs. The GLA's Executive Director of Resources relies on the individual advice from each of the Chief Finance Officers of the functional bodies in discharging his responsibilities; and judges the estimates and proposed financial reserves to be robust and adequate.

The forecast use of reserves to March 2023 is summarised in the table below.

	GLA	MOPAC	LFC	TfL	LLDC	OPDC	Total
	£m	£m	£m	£m	£m	£m	
Opening balances 1 April 2020	**736.5**	**438.1**	**79.3**	**1580.7**	**0.0**	**0.0**	**2,834.6**
Movement on Earmarked reserves	-44.3	30.3	-4.5	-732.7	0.0	0.0	-751.2
Movement on General reserves	0.0	3.9	-5.8	0.0	0.0	0.0	-1.9
Balances 31 March 2021	**692.2**	**472.3**	**69.0**	**848.0**	**0.0**	**0.0**	**2,081.5**
Movement on Earmarked reserves	-305.1	-139.5	-23.0	272.0	0.0	0.0	-195.6
Movement on General reserves	0.0	-0.9	0.0	0.0	0.0	0.0	-0.9
Balances 31 March 2022	**387.1**	**331.9**	**46.0**	**1120.0**	**0.0**	**0.0**	**1,885.0**
Movement on Earmarked reserves	-142.7	-86.6	-5.5	179.0	0.0	0.0	-55.8
Movement on General reserves	0.0	-0.9	0.0	0.0	0.0	0.0	-0.9
Balances 31 March 2023	**244.4**	**244.4**	**40.5**	**1299.0**	**0.0**	**0.0**	**1,828.3**

There are forecast reductions in the reserves of the GLA, MOPAC, TfL and LFC between 1 April 2020 and 31 March 2023. This results in a net overall reduction of just over £1 billion between 1 April 2020 and 31 March 2023, reflecting the planned use of earmarked reserves. Of the forecast balance on reserves of £2,081.5 million at 31 March 2021, around £647.5 million is held in general reserves – including £500 million for TfL. Earmarked reserves are being reduced primarily to manage the impact of revenue losses and expenditure pressures arising from the COVID pandemic.

In conclusion, the Mayor's budget proposals are consistent with the advice provided on reserves and balances. The use of reserves and balances will continue to be kept under close review during 2021-22 and in future years.

5. Advice on council tax requirements and referendums

Component and consolidated council tax requirements

The Mayor must calculate council tax requirements for the Mayor, the Assembly, and the five functional bodies. These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA Group's consolidated council tax requirement (s.85 and Schedule 6 ("Schedule 6"), paragraph 1, Greater London Authority Act 1999 (GLA Act)).

Procedure for determining the council tax requirements

The determination of the proposed component and consolidated council tax requirements set out in this draft budget has taken place following the publication of the Government's provisional local government finance settlement.

The council tax requirement for each body is calculated by determining the difference between projected expenditure, and projected income excluding income from any precept. Insofar as expenditure will exceed income, that amount is the body's component council tax requirement for the year (s.85 (6) GLA Act). The Mayor must consult the Assembly and functional bodies and others as appear appropriate to the Mayor before preparing the draft component budgets for the Assembly and functional bodies (s.87 and paragraph 2 of Schedule 6 GLA Act and s.65 Local Government Finance Act 1992).

What are the rules on council tax referendums?

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the GLA Act and Chapter 4ZA of the Local Government Finance Act 1992, as amended. The effect is that there is a requirement for a council tax referendum where the proposed increase in the GLA precept exceeds the threshold set out in the local government "excessiveness" principles laid by the Secretary of State and approved by the House of Commons for the same financial year as the budget.

As a result of the way the Metropolitan and City of London police forces are funded, the GLA is required to calculate two different "relevant basic amounts of council tax" (on the basis of the council tax Band D) for the City of London (the unadjusted basic amount of council tax or non-police precept) and the 32 London boroughs (the adjusted basic amount of council tax). Both these amounts must be in compliance with the Government's excessiveness principles if a council tax referendum is to be avoided.

If either or both council tax calculations exceed the threshold under the excessiveness principles (e.g. even if only the calculation applying to the City of London exceeds it), a referendum of local electors across the 32 London boroughs must be held. If the adjusted basic amount of council tax only is excessive under these principles electors in the area covered by the Corporation of London do not participate in the referendum but if the unadjusted amount is excessive, they do alongside electors in the rest of London. The Mayor is under a duty to determine whether either or both of the two council tax figures are excessive under the principles applying to the GLA. This formal determination will be included in the final budget document considered by the Assembly in February.

On 17 December 2020 alongside the provisional local government finance settlement the Government published the draft regulations setting out the council tax referendum thresholds for 2021-22 – the 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2021-22.'

On the basis of the above draft principles for the GLA a referendum would be required if the unadjusted amount of council tax (i.e. the non-police precept) were increased by 2 per cent or more. A referendum would also be required if the adjusted amount of council tax (i.e. the total Band D precept payable in the 32 boroughs) were increased by more than £16.59 (i.e. a £15 increase in the policing element and the maximum increase of £1.59 permitted by the 2 per cent limit for the unadjusted amount).

In accordance with the recent TfL extraordinary funding agreement between the Mayor and the Department for Transport on 31 October 2020, the Mayor wrote to the Secretary of State for Transport on 8 January 2021 setting out that he required the ability to raise his Band D precept by a further £15 in order to continue to fund London-specific transport concessions without a referendum being triggered. As requested by MHCLG, the GLA has also responded to the consultation on provisional local government finance settlement consultation confirming this request.

Assuming the Secretaries of State at MHCLG and DfT agree to the Mayor's proposals, they would be reflected in the final 'Referendums Relating to Council Tax Increases (Principles) (England) Report 2021-22' to be laid before the House of Commons for approval (superseding those published by the Government in December 2020).

On the basis of these modified principles (as set out above), a referendum would only be required if the unadjusted amount of council tax (i.e. the non-police precept payable in the City of London) were increased by more than £16.59 (i.e. £1.59 plus the £15 for the funding of the concessions). A referendum would also only be required if the adjusted amount of council tax (i.e. the total Band D precept payable in the 32 boroughs) were increased by more than £31.59 (i.e. adding the permitted £15 increase in the policing element). Therefore, no referendum in London would be triggered.

The House of Commons is expected to approve the Council Tax Increases Principles Report and the Local Government Finance report during February 2021, but before the Mayor publishes the final draft budget for the Assembly's February budget meeting.

The GLA is not required to make levy payments to levying bodies – as for example applies for all London boroughs in respect of the Environment Agency, Lee Valley Park Authority and the London Pensions Fund Authority – and therefore the baseline against which the principles are measured is the actual unadjusted and adjusted council tax figure for 2021-22.

Position regarding the City of London

The unadjusted basic amount of council tax proposed by the Mayor for 2021-22 in his draft budget is £96.53 for a Band D property – which is the sum payable by council tax payers in the City of London. This is £16.59 higher than in 2020-21.

Position regarding the 32 London boroughs

The adjusted basic amount of council tax proposed by the Mayor for 2021-22 in his draft budget is £363.66 for a Band D property (i.e. £267.13 for the Metropolitan Police plus £96.53 for non-police services) – this is the sum payable by taxpayers in the 32 London boroughs. This is £31.59 or 9.5 per cent higher than the corresponding figure for 2020-21 of £332.07.

The adjusted and unadjusted amounts of council tax are therefore both lower than the GLA's estimate of the council tax levels that we currently anticipate would trigger a referendum in 2021-22 (i.e. £363.67 and £96.54), assuming they are accepted by the Government and approved by the House of Commons in February.

Substitute budget

The Mayor must include in his final draft budget a statement setting out his formal determination as to whether the final draft budget proposals would result in a council tax increase(s) above or below the approved council tax referendum principles applicable to the GLA for 2021-22, therefore triggering a referendum.

In the event that the final draft budget did not comply with the approved principles, the Mayor would be required to present, additionally, a "substitute budget" that did comply. This, subject to any amendments agreed by the required two thirds majority in the final draft budget, would become the default budget if the referendum seeking approval for an increase above the threshold was lost.

The Mayor's final draft budget in this scenario would then be subject to a London-wide referendum (even if the "excessive" increase only applied to the precept payable by taxpayers in the area of the City of London). If the final draft budget was rejected in that referendum, then the alternative substitute final budget would become the final budget for the year. No such substitute budget has been prepared as the Mayor is proposing a precept level in his final draft budget which, on present information and expectations, would not trigger a referendum.

6. Advice on future plans

What are the medium-term planning arrangements?

The overall aim of the GLA's medium-term planning arrangements is to have financial plans and business plans that are based on Mayoral objectives and priorities. This means ensuring that there are sound medium-term financial plans within which all priorities and objectives are adequately funded. The Mayor issues guidance each year to ensure this objective is fully implemented across the GLA Group.

Appendix I of Part 2 of the Budget sets out the prospects for the GLA and GLA Group 2021-22 and 2022-23. It emphasises that even after billing authorities returns are received, there remains much uncertainty about the prospects over the next few years. Therefore, although there remain great uncertainties, in setting council tax requirement levels for 2021-22 the Mayor and the Assembly should have regard not just to the in-year funding position for 2021-22 but the expectation that overall resources to the GLA Group will be likely to be under pressure following the impact of the next Spending Review, and implementation of the Fair Funding Review and reforms to the business rates retention system.

7. Advice on the limit on the Assembly's power to amend the Mayor's council tax requirement for the Assembly

What is the council tax requirement for the Assembly?

The GLA is required to determine a separate council tax requirement for both the Mayor and the Assembly.

What is the restriction on the Assembly changing its own council tax requirement?

The Mayor proposes a council tax requirement for the Assembly as part of his Final Draft Budget. The Assembly may amend this but does not have to. However, the GLA Act places limits on the extent to which the Assembly can amend its own component requirement at the final draft budget stage by reference to changes – up or down (if any) - in the budget for the Mayor's council tax requirement figure, as compared to the previous financial year:

- If the Mayoral council tax requirement figure increases, then the Assembly cannot amend the budget to increase its own component council tax requirement figure by a greater percentage; or
- If the Mayoral council tax requirement figure decreases, then the Assembly's amendment to its own council tax requirement (if any) can result in an increase to the Mayor's proposal provided the resulting change in percentage terms compared to the previous year is not less than the percentage decrease made by the Mayor to his own council tax requirement.

The GLA Act uses the terms OM and NM in defining how this works in practice i.e. 'Old' Mayor and 'New' Mayor:

- 'Old' Mayor will be the notional council tax requirement for the Mayor for 2020-21;
- 'New' Mayor will be the Mayor's proposed council tax requirement for the Mayor for 2021-22 after any adjustments made; and
- The percentage change in the Mayor's council tax requirement from 2020-21 is calculated using these amounts.

The Assembly's council tax requirement from 2020-21 is then adjusted by the same percentage. This figure then becomes the '**adjusted previous component council tax requirement for the Assembly.**'

How is a like for like comparison ensured?

To facilitate a like for like comparison the Chief Finance Officer may direct amounts to be included or excluded from the comparison of the Mayor's council tax requirement for the Mayor with the notional council tax requirement for the Mayor for the preceding year. The Chief Finance Officer must have regard to any Secretary of State guidance on the direction (GLA Act Schedule 6, paragraph 5A).

Chief Finance Officer's direction

The Secretary of State has not issued any guidance on the direction and the Executive Director of Resources has directed that there are no adjustments he requires to facilitate a like for like comparison.

Can the Assembly amend the Mayor's council tax requirement for the Assembly?

The Mayor is proposing a Mayoral council tax requirement in 2021-22 which is £4.131 million or 6.2 per cent lower than in 2020-21. The council tax requirement which would result from an equivalent 6.2 per cent reduction compared to the Assembly's 2020-21 allocation is £2.470 million. The Mayor's proposed council tax requirement for the Assembly is £2.504 million which exceeds this.

Using the GLA Act's methodology and applying it to the draft council tax requirement figures, the Assembly could not increase their own council tax requirement as the Mayor has already proposed a level which exceeds the calculations made under the rules set out above.

This is explained in the table below.

Mayor's Budget: Calculation of NM and OM	**£m**
Proposed council tax requirement for the Mayor for 2021-22	62.460
Deduct: Nil	
Add: Nil	
NM (Mayor's adjusted council tax requirement for 2021-22)	**62.460**
Deduct: OM (notional Mayor's council tax requirement for 2020-21)	66.591
Add: Nil	
Deduct: Nil	
OM (notional Mayor's council tax requirement for 2020-21)	**66.591**
Amount NM is lower than OM council tax **requirement**	-4.131
Percentage decrease	**-6.20%**

Assembly Budget: adjusted previous component Council Tax Requirement	**£m**
Notional component Council Tax requirement for the Assembly for 2020-21	2.633
Deduct: Percentage change in NM compared with OM	-0.163
Adjusted previous component Council Tax requirement	**2.470**

Legal Advice

1. Overview

This section of Part 3 to the Mayor's Draft Budget sets out legal advice on the scope of the Assembly's amendment powers.

Details about council tax referendums and the limit on the Assembly's power to amend the Mayor's council tax requirement for the Assembly can be found in sections 5 and 7 of this document, alongside the advice provided by the Executive Director of Resources.

2. Scope of Assembly's amendment powers

Statutory definitions

Paragraph 1 of Schedule 6 of the GLA Act imposes a duty on the Mayor and the Assembly, in accordance with that Schedule, to prepare and approve for each financial year—
(a) a budget for each of the constituent bodies as such (a "component budget"); and
(b) a consolidated budget for the Authority (a "consolidated budget").

"Component budget" is defined as statements of—
(a) the amount of the component council tax requirement for each of the seven constituent bodies; and
(b) the calculations under section 85(4) to (7) of the GLA Act which give rise to that amount for each.

"Consolidated budget" is defined as statements of—
(a) the amount of the Authority's consolidated council tax requirement;
(b) the amount of the component council tax requirement for each constituent body; and
(c) the calculations under section 85(4) to (8) of the GLA Act which give rise to each of the amounts mentioned in paragraphs (a) and (b) above.

What is the Assembly's power of amendment?

The Assembly's power to amend the Draft Budget is limited to making changes to the figures required to be calculated under section 85 (4) to (8) of the GLA Act ("the statutory calculations") in respect of each of the component bodies' component budget and council tax requirements and the resulting consolidated budget and consolidated council tax requirement. This is because the GLA Act defines the component council tax requirement solely in terms of the statutory calculations.

In the event that any successful amendment to the Final Draft Budget would give rise to an increase in council tax (adjusted and/ or unadjusted relevant basic amount of council tax) that is excessive under the approved excessiveness principles then the Assembly must also approve substitute budget calculations that do not give rise to an excessive increase in council tax (as defined). This area is covered in Section 5 above.

Assembly's own component budget

As discussed above, the Assembly's right of amendment in respect of its own budget is again limited. Any increase in the component council tax requirement for the Assembly cannot be more in percentage terms than any increase for the Mayor (which in any event is subject to the rules on excessiveness and council tax referendums – see section 5 above); where the Mayor's component council tax requirement has reduced, the Assembly's component council tax can be amended upwards provided that the consequential reduction in percentage terms compared to the previous year is not lower than that for the Mayor's requirement (Schedule 6, paragraph 8A).

Amendments to the retained business rates allocation

The Assembly cannot amend the retained business rate allocation put forward by the Mayor in his Final Draft Budget, although the Assembly could legally approve an amendment to that budget predicated on a different allocation figure, thereby changing the component and consolidated council tax requirement figures. Any business rates retention allocation figure approved by the Assembly as part of that process is not binding on the Mayor and only has the status of a proposal. This is because it does not fall within the definition of the final draft consolidated budget that the Assembly has the power to amend i.e. it falls below or underneath the level of the statutory calculations required by section 85 (4) to (8) that comprise the legal definition of the budget under the GLA Act 1999.

Amendment of underlying budget lines

In the same way the Assembly cannot amend budget lines that exist underneath or below the statutory calculations required by section 85 (4) to (8), i.e. it cannot amend the figures that give rise to those statutory calculations. The Assembly can only amend the statutory calculations themselves. This is because the budget is defined solely in terms of those calculations because they produce the council tax requirement.

Enforceability of successful budget amendments

Amendments to one or more of the statutory calculations in the Draft Budget passed by a simple majority will amend that budget. However, these amendments are not binding on the Mayor as the Final Draft Budget he presents may be different. If that is the case the Mayor must present a statement with the budget that shows and explains the changes.

Mayor's failure to present final draft budget

Again, subject to the issue of excessiveness, if the Mayor, having presented a Draft Budget, fails to present a Final Draft Budget, the Assembly must meet and agree by a simple majority the component council tax requirement of each of the constituent bodies, and the consolidated budget is deemed to have been agreed accordingly (Schedule 6, paragraph 7). This should not apply as the Mayor is presenting his final draft consolidated budget to the Assembly on 25 February.

Assembly failure to approve final draft budget

Subject to the issue of excessiveness, the final draft budget approved by the Assembly (with or without amendment) is the GLA's consolidated budget for the financial year (Schedule 6, paragraph 8(6)). If the Assembly fails to approve the Budget before the last day of February, the Final Draft Budget presented to the Assembly will be the GLA's consolidated budget for the year (Schedule 6, paragraph 9).

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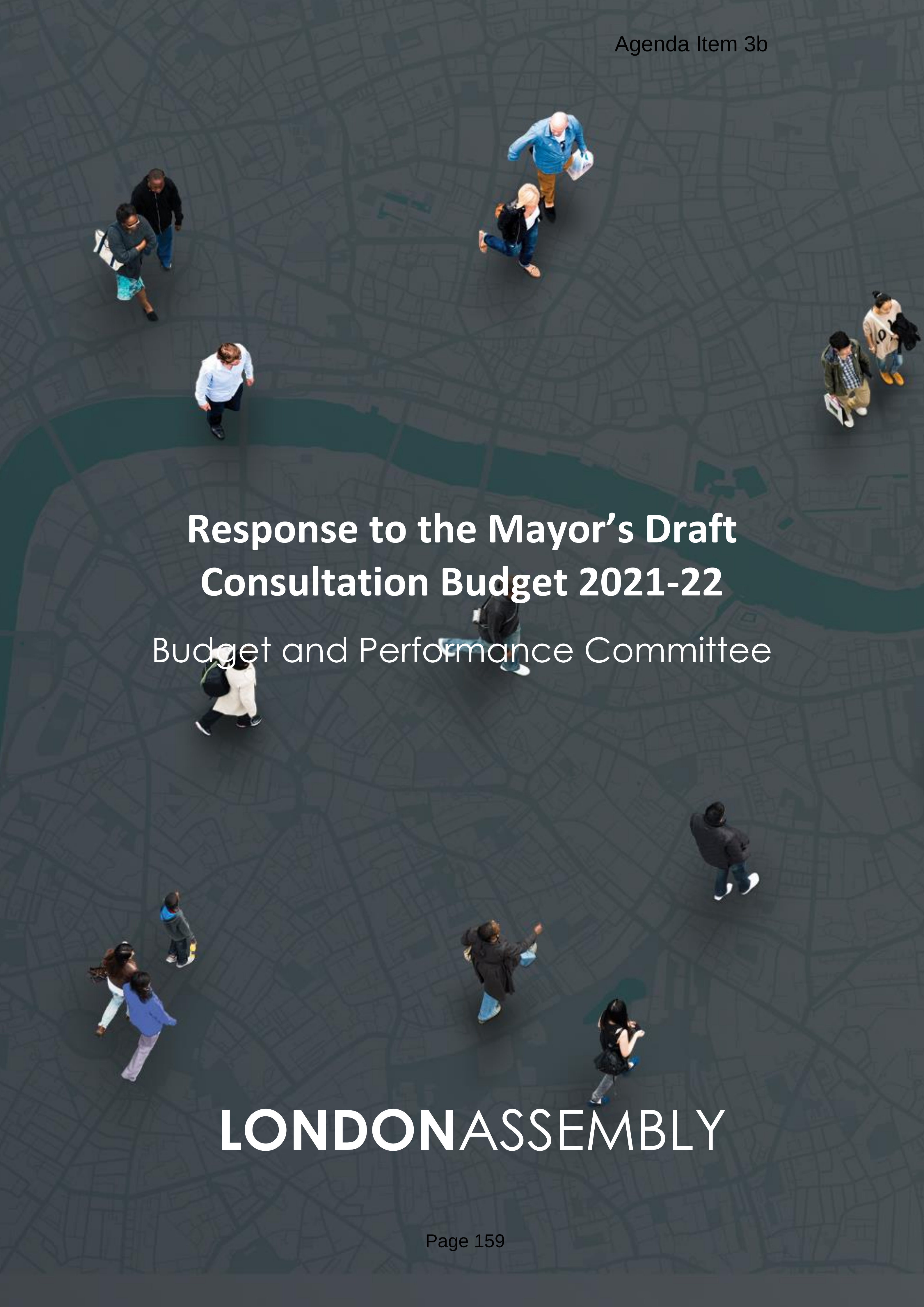
Agenda Item 3b



Response to the Mayor's Draft Consultation Budget 2021-22

Budget and Performance Committee

LONDONASSEMBLY

Budget and Performance Committee

Susan Hall AM
(Chairman)
Conservatives

Tony Devenish AM
Conservatives

Len Duvall OBE AM
(Deputy Chair)
Labour

Dr Alison Moore AM
Labour

Siân Berry AM
Greens

Caroline Pidgeon
MBE AM
Liberal Democrats

Unmesh Desai AM
Labour

Dr Onkar Sahota AM
Labour

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.

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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 has been shaped by the substantial 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 2021-22 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 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. There have been times during the pandemic where TfL saw a 95 per cent reduction in journeys on the Tube and an 85 per cent reduction in journeys on buses. Even after recovering from these initial lows, ridership remains significantly lower than pre-COVID 19 levels. TfL estimates its overall income for this year will fall by 75 per cent, equating to a loss of over £4 billion for 2020-21. That's a huge budget hole to fill and while a second financial deal has been agreed, it only runs until April 2021. Big questions and decisions are being made now on TfL's long-term financial stability. To rely on fares alone to fund the transport network may no longer be 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.

Five months after the Mayor's budget guidance was issued, the GLA Core budget submission for 2021-22 was underdeveloped to a degree not seen in previous years, albeit amidst a difficult financial position. Savings of £39 million are being sought, comprising £12 million in corporate savings and £27 million in directorate savings. Tentative proposals have been put forward for the corporate savings; however, no detail at all was presented on the £27 million in directorate savings. This raises a fundamental question as to the extent to which this submission meets its core purpose as a set of GLA budget plans for 2021-22. From our scrutiny of the Mayor's own budget, there are a lot of unanswered questions that need to be addressed. The Mayor has presented the London Assembly with a shopping list for 2021-22 for

£250 million but he only has £211 million to spend. How can we judge if he is spending his money wisely when his choices are not clearly set out?

The impact of COVID-19 has led to changes in the way the Government is funding public services, moving to one-year budgeting rather than a three-year cycle. 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 have promised an extra 6,000 police officers without confirmation of Government funding. All indications are that London's share of the 20,000 will be nearer to 4,500. This raises a question around how the proposed budget for the full extra 6,000 police officers will be funded, as there remains a considerable degree of uncertainty about how the budget gap will be met.

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) late last year, it is evident that the LFB needs swift change. Under new leadership, 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. However, real change requires money; for training, equipment, and employees.

The LLDC had a highly ambitious capital programme pre-COVID. Since the expectations for real estate development have changed dramatically since the start of the crisis, the risks of the East Bank have become more apparent. Only two years ago the Mayor said it would cost £385 million. Expected costs now exceed £600 million. This raises serious questions on the value for money of the project.

The London Stadium, the former 2012 main Olympic athletics stadium and now home to the Premier League team West Ham United will at best keep costing Londoners at least £8 million to £10 million every year; and that's only provided West Ham United remains in the UK Premier League. This is a significant financial burden on Londoners. We remain disappointed by the lack of progress in securing much needed income from naming rights of the Stadium and other park assets. In light of COVID-19 and the budget issues facing the GLA, the Committee could see where that money would be better spent.

Before the COVID-19 pandemic, our Committee had serious concerns about the Old Oak and Park Royal Development Corporation (OPDC). Despite spending nearly £50 million to date, the Corporation 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. However, as it stands today, little has been done on the ground to bring these new jobs or homes to the area.

The OPDC applied for a £250 million Housing Infrastructure Fund (HIF) grant from the Ministry for Housing, Communities and Local Government (MHCLG), following an announcement in the 2018 Spring Budget. The OPDC was awarded the HIF funding for its proposed plans for north west London. Worryingly, in December 2019, the Committee discovered that the documents which were sent to MHCLG in support of the HIF bid funding referred to a letter of support from a local business which was integral to all of the OPDC's plans. However, this letter did not exist, and the local business did not support OPDC's plans. Given this, should the OPDC continue to be entrusted to deliver such a high-scale project?

Executive Summary

The COVID-19 pandemic has had a significant and sustained impact on TfL's finances. TfL has continued to run almost at full service, despite the reduction in passenger numbers that has resulted in a loss of 75 per cent of its anticipated passenger income in the first half of 2020-21.

The TfL 2021-22 Budget reflects the expected bounce back from COVID-19 with passenger income forecast to increase from £1.8 billion in 2020-21 to £3.3 billion in 2021-22 and on to £4.6 billion in 2022-23. The negotiations with the Government on the future of London's transport system are critical to the future shape of TfL's finances. The recently published 'TfL Independent Review' and its Financial Sustainability submission to Government will also play an important part in determining the future provision of transport services in the capital.

The Elizabeth line has been delayed, partly from the impact of COVID-19, which contributed to a further funding requirement of £1.1 billion. The GLA will borrow a further £825 million to complete the project, which leaves a £275 million challenge.

MOPAC continues to plan for the recruitment of an additional 6,000 officers from the Government's officer growth programme. This is despite growing evidence that London's share of the 20,000 additional officers will be less than 6,000. In September 2019, the Government announced a national campaign to fund and recruit 20,000 new police officers by 2022-23 to be shared among the 43 forces in England and Wales.[1] Based on the initial allocations of the funding which used the existing police funding formula, London should expect a total of 4,563 officers, or about three quarters of the Met's ambition. MOPAC's 2021-22 Budget submission also shows a budget gap growing to £300 million by 2022-23, of which only half can be attributed to its unfunded recruitment plans.

The London Fire Brigade 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. Since this tragic event, and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services' highly critical report into how LFB operates, it has finally begun a much-needed transformation programme.

However, the COVID-19 pandemic has hampered the London Fire Commissioner's financial capabilities, both from the impact of the pandemic on the fire service itself and on the wider GLA Group's finances. This means that the fire service will be required to make significant savings in this year, and in subsequent years.

This report examines the LFB's overreliance on using reserves to finance budget gaps. The Committee appreciates the use of reserves in the short-term to bridge the financial pressures

[1] National campaign to recruit 20,000 police officers launches today, 5 September 2019

created by COVID-19 without impacting on the ability of the Brigade to keep Londoners safe. However, a continual reliance on reserves risks creating a backlog of savings to be made in subsequent years, and is unsustainable in the long-term, with worrying implications for the medium-term stability of the service and its ability to fully protect London and Londoners.

The Mayor's Consultation Budget was issued before the provisional local government and police financial settlement for 2021-22 was published. This raised the possibility that the Mayor could propose a large increase to the London Council Tax precept for 2021-22, partly to cover the cost of concessionary travel above that funded by Government for the rest of England, and also to take advantage of the £15 increase per Council Tax bill for MOPAC funding allowed in the recent Government Spending Review. The Mayor announced on 8 January 2021 a proposed Council Tax increase of 9.5 per cent. The Mayor's component of the annual Council Tax charge for a Band D household will increase by £31.59, with funding of £15 each for TfL and MOPAC and £1.59 for the London Fire Brigade.[2]

The East Bank is the LLDC's flagship regeneration scheme, which aims to deliver 'one of the world's largest and most ambitious cultural and education districts' across three sites in the Queen Elizabeth Olympic Park. On 5 June 2018, the Mayor announced he was committing £385 million to the East Bank development[3]. At the Budget and Performance Committee meeting on 8 December 2020, the LLDC reported that the expected cost of the project, including the impact of COVID-19, is now £628 million.

Capital income from the LLDC's housing development sites is an important factor in achieving financial sustainability for the project. London real estate prices are in flux as the market adjusts to the pandemic. In September, the Centre for Economics and Business Research forecast that UK house prices may drop as much as 13.8 per cent from 2020 to 2021.[4] The Mayor recently echoed these concerns, suggesting London may be facing an 'existential threat' from the changes to working life caused by the pandemic, and the possible shift out to outer London.[5]

In December 2019, OPDC announced it was abandoning the plans it had been developing for the previous four years for Old Oak North (OON) in favour of a 'more strategic scale of regeneration' in an area referred to as the 'Western Lands'.[6] The new plan has the potential to support delivery of over 20,000 homes and up to 60,000 jobs. The OPDC holds no land, has no capital programme to develop it, and no approved Local Plan to progress its project—three things the OPDC itself has identified "cannot move ahead with its major regeneration plans without."[7] It is vital that the OPDC works with the Planning Inspector to deliver its commitment to have an agreed Local Plan by the end of 2021

[2] 8 January 2021 Mayor's Press Release https://www.london.gov.uk/press-releases/mayoral/mayor-succeeds-in-limiting-council-tax-increase
[3] 5 June 2018 Mayor's Press Release https://www.london.gov.uk/press-releases/mayoral/mayor-unveils-11bn-vision-for-east-bank
[4] CEBR, Report, September 14 2020
[5] The Guardian, Sadiq Khan: 'There is potentially an existential threat to central London' 22 November 2020
[6] Mayor's 2020-21 Budget
[7] Budget and Performance Committee Meeting 14 October 2020, minutes, page 41, page 25

Recommendations

Transport for London

Recommendation 1

TfL should publish its January 2021 financial sustainability plan submission to Government.

Recommendation 2

TfL should set out clearly how it plans to fund concessionary fares in the Mayor's Final Draft 2021-22 Budget.

Recommendation 3

TfL should continue to work to secure a long term sustainable funding deal with Government.

Recommendation 4

TfL should publish a new target date, in the Mayor's Final Draft 2021-22 Budget, for the delivery of the 10,000 affordable homes that it has promised.

Recommendation 5

TfL and the Mayor to be clear around which of the Independent Financial Review suggestions are being actively pursued.

Recommendation 6

TfL to work with the Government to secure access and to publish the KPMG report.

Recommendation 7

TfL to be clear about what the final expected cost of Crossrail will be.

MOPAC

Recommendation 1

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 draft 2021-22 Budget on realistic funding expectations.

Recommendation 2

The Mayor should set out how his 1,000 additional officers would be funded in the event of the anticipated Business Rates restructure.

Recommendation 3

MOPAC should be clear in its draft 2021-22 Budget how much of its forecast revenue budget funding gap arises from its assumptions on costs associated with the Government's officer growth programme, and how much can be attributed to other underlying structural pressures.

Recommendation 4

MOPAC should present an updated strategy for its approach to estates and general capital spending, based on appropriate assumptions of police officer recruitment and service transformation.

Recommendation 5

MOPAC should consider alternative revenue streams to generate income in the Mayor's Final Draft 2021-22 Budget.

London Fire Commissioner

Recommendation 1

The Commissioner should demonstrate value for money for senior appointments and maintain the LFB's commitment to its youth-related activities.

Recommendation 2

The LFB should provide a realistic plan, with timescales, on how overspend on overtime will be driven down in the Mayor's Final Draft 2021-22 Budget.

Recommendation 3

The LFB should outline a plan for a sustainable long-term financial strategy that is less reliant on drawing down its reserves in the Mayor's Final Draft 2021-22 Budget.

Recommendation 4

The aim of the GLA Collaboration Group is to "secure further tangible savings through greater collaboration across the GLA Group." The LFC should outline any impact that GLA Group collaboration will have on the LFB's finances in 2021-22.

Recommendation 5

The Committee supports the LFB in its efforts to work with the Government to secure additional funding, however there is no guarantee additional resources will be provided. The LFB must create a contingency plan in case the Government does not provide funding for items such as the LFB's pension allocation for 2021-22. Thereafter, the Government and the LFB must agree a long-term pensions funding settlement.

Recommendation 6

The LFB should outline in the Mayor's Final Draft 2021-22 Budget how it has sufficient resources to fund the delivery of its transformation.

Recommendation 7

The LFB should clarify what tangible benefits the £7.7 million spend on the transformation programme will have for Londoners in the Mayor's Final Draft 2021-22 Budget.

GLA Core

Recommendation 1

The Mayor should clarify how the GLA:Mayor budget will meet its savings target for 2021-22, including details of where those savings will come from and what their impact will be in his 2021-22 Final Draft Budget.

Recommendation 2

The Mayor should issue a corporately verified assessment of the extent to which Mayoral commitments and GLA initiatives have been delivered in full and on time during this Mayoral term prior to the 2021 GLA pre-election period commencing.

London Legacy Development Corporation

Recommendation 1

The LLDC must make demonstrable progress towards securing a naming rights deal for the London Stadium in 2021-22.

Recommendation 2

The LLDC's borrowing must be limited to a level that it is realistically capable of repaying.

Recommendation 3

The LLDC must regain control of the East Bank costs.

Recommendation 4

The LLDC must carefully review the level of capital receipts to ensure that they are realistic and identify any further funding needs.

Recommendation 5

The LLDC must publish its transition plan.

Old Oak and Park Royal Development Corporation

Recommendation 1

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 its 2021-22 Budget.

Recommendation 2

The OPDC must develop and publish an infrastructure plan for development of the 'Western Lands' to identify its funding requirement in its 2021-22 Budget.

Recommendation 3

The OPDC must learn the lessons from its failure to secure funding from its HIF bid and apply these to a bid for funding from the National Home Building Fund.

Recommendation 4

The OPDC must publish a timetable to develop a new credible and sustainable plan with a clearer focus in the short to medium term on Park Royal. The plan should accompany its Final Draft 2021-22 Budget and set out what it can realistically achieve and when.

Recommendation 5

In June 2016 the Mayor of London commissioned the GLA to undertake a review of the strategic direction and work programme of the OPDC. Given recent events, the Mayor should talk to the boroughs involved and consider a review examining if the OPDC should continue in its current form.

Chapter one - Introduction

The GLA Group

London is in the middle of its greatest crisis since the Second World War. The COVID-19 pandemic has brought the city to a standstill. Health services are being pushed to the brink, economic activity has been severely depressed, and Londoners have made countless sacrifices to curtail the staggering human cost of the virus. To overcome the challenges before the capital, it is imperative the Mayor shows decisive leadership and takes control over those activities which fall within his purview.

The Mayor of London has a considerable number of resources at his disposal, in terms of the power that he holds to make decisions that affect the everyday lives of Londoners and particularly in terms of the annual budget, which is central to how the Mayor's authority is exercised. The Mayor's proposed budget for 2021-22 is £19.4 billion. This pays for the Greater London Authority (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);
- Mayor's Office for Policing and Crime (MOPAC) – responsible for oversight of the Metropolitan Police Service (MPS);
- London Fire Commissioner (LFC) – responsible for decisions about the London Fire Brigade (LFB);
- London Legacy Development Corporation (LLDC); and
- 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 been predicted to fall 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 three pounds in every four of the GLA's Council Tax income to police London. The reduction in passenger demand in London's transport network has also added considerable pressure on TfL's finances, causing an income loss of over £4 billion for 2020-21.

The Mayor's 2021-22 Budget

On 26 June 2020, the Mayor published his budget guidance for 2021-22, requiring the GLA Group to deliver in-year savings to the current 2020-21 budgets and to develop the 2021-22 proposed budgets.[8] The Mayor of London has said that the GLA Group is facing a budget

[8] GLA, *The Mayor's Budget Guidance for 2021-22*, 26 June 2020, https://www.london.gov.uk/sites/default/files/mayors_budget_guidance_2021-22_final.pdf

shortfall of up to £493 million over the next two years.

The Mayor's budget guidance set out three potential scenarios with consideration to the impact of the COVID-19 pandemic on the GLA Group's finances. These scenarios are to be used by the GLA Group to meet savings and efficiency targets set out in the guidance. Each scenario identifies a reduction in overall funding over the current financial year 2020-21 and 2021-22. The three scenarios are:

- ***Scenario 1*** *– Council Tax losses only assumed of 7 per cent with Business Rates funding allocations maintained at previously approved levels. £140 million reduction over two years.*
- ***Scenario 2*** *– Funding allocations in line with actual 2020-21 and estimated 2021-22 Government funding baselines. £450 million reduction over two years.*
- ***Scenario 3*** *(The Mayor's current 'best estimate') – Assumed losses of 7 per cent in Council Tax revenues and reductions of 11 per cent in Business Rates income by March 2022. A £493 million reduction over two years.*

The third scenario is the 'reasonable worst-case scenario' and is the basis of the Mayor's public announcement that the GLA Group is facing a budget shortfall of up to £493 million over the next two years, as a result of a loss of Business Rates and Council Tax income caused by COVID-19.[9]

As a result, the Mayor has asked the Group to find as much as £493 million in savings based on an initial analysis of the impact of the pandemic. The Mayor subsequently allocated reserve funding to halve the 2020-21 in-year savings requirements for MOPAC, the LFC, the Assembly and the Mayor's core budget. But savings for this year and next, still amount to £454 million. Of this, £325 million in savings has to be found by the Group in 2021-22 alone.

The Mayor's Consultation Budget for 2021-22 was issued on 15 December 2020 with a closing date for consultation responses of 15 January 2021. It represents the fifth and final set of budget proposals of this mayoral term. 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.

Group funding

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

[9] GLA, *Mayoral press release*, 17 June 2020, https://www.london.gov.uk/press-releases/mayoral/mayor-outlines-almost-500m-cost-of-covid-19

Definitive indications of income in 2021-22 from Business Rates and Council Tax will be available at the end of January. Meeting the budget gap arising from reduced transport fares is the subject of ongoing negotiations with Government. The financial planning horizon in the 2021-22 Budget proposals is therefore shorter than usual at two years (i.e. it covers 2021-22 and 2022-23).

The provisional Local Government Finance Settlement 2021-22 consultation paper which was published on 17 December 2020 stated 'The Mayor of London has already indicated that in order to fund Londoners' free travel concessions more generously than the English level, he may seek to raise the general element of the GLA's Council Tax precept. We await the Mayor's proposals on the GLA referendum principle, as part of the responses to this consultation.' The 31 October agreement made clear the funding of these concessionary elements must be met 'without recourse to additional borrowing, savings, service changes or deferrals'.[10]

This could increase the level of precept in the Mayor's Consultation Budget. In the 16 December Budget and Performance Committee meeting with TfL, the GLA Executive Director of Resources confirmed that a £1 increase in every Council Tax bill would raise £2.8 million. The Mayor announced on 8 January 2021 a proposed Council Tax increase of 9.5 per cent. The Mayor's component of the annual Council Tax charge for a Band D household will increase by £31.59, with funding of £15 for TfL.[11]

Savings and efficiencies

As a result of the funding pressures described above, the savings and efficiencies required across the Group for 2020-21 and 2021-22 stand at the high level of £0.5 billion. This challenging target provides the focus of much of the budget work undertaken across the Group.

Conversely, there is considerable uncertainty around the level of receipts from Business Rates and Council Tax, and while the Mayor has clearly set out his assumptions in his budget guidance, there is a potential upside from higher than anticipated Business Rates and Council Tax.

The London Assembly Budget and Performance Committee is tasked with scrutinising the Mayor's budget proposals to ensure that public money is used efficiently and effectively. The Committee's work informs the work of the London Assembly more widely, with the Assembly itself holding the power to amend the Mayor's annual budget with a two-thirds majority.

[10] TfL 31 October Funding Settlement transport-for-london-settlement-letter.pdf
[11] 8 January 2021 Mayor's Press Release https://www.london.gov.uk/press-releases/mayoral/mayor-succeeds-in-limiting-council-tax-increase

"No organisation could absorb a shortfall on this scale, and while I have prudently put aside significant sums since 2016 to meet unexpected risks, the scale of the challenge is far beyond what any Mayor could have reasonably prepared for."

Sadiq Khan, Mayor of London
Mayor's Budget Guidance 2021-22

To this end, 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, culminating in a final meeting with the Mayor himself.

From TfL's reliance on Government funding 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 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 – Transport for London

Recommendation 1

TfL should publish its January 2021 financial sustainability plan submission to Government.

Recommendation 2

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Recommendation 3

TfL should continue to work to secure a long term sustainable funding deal with Government.

Recommendation 4

TfL should publish a new target date, in the Mayor's Final Draft 2021-22 Budget, for the delivery of the 10,000 affordable homes that it has promised.

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TfL and the Mayor to be clear around which of the Independent Financial Review suggestions are being actively pursued.

Recommendation 6

TfL to work with the Government to secure access and to publish the KPMG report.

Recommendation 7

TfL to be clear about what the final expected cost of Crossrail will be.

Impact of COVID-19

The COVID-19 pandemic has had a significant and sustained impact on TfL's finances. TfL has continued to run almost at full service, despite the reduction in passengers that has resulted in the anticipated loss of 70 per cent of its passenger income in 2020-21.[12] TfL reduced costs by pausing some of its major project activities on over 300 construction projects and furloughing 7,000 of its staff through the use of the Government's Coronavirus Job Retention Scheme.

[12] TfL 2021-22 Budget P32 http://content.tfl.gov.uk/board-20201209-agenda-supplementary-finance.pdf

In April 2020, TfL submitted an Emergency Budget to Government.[13] The budget identified a shortfall of £1.9 billion in TfL's funding, which could not be met other than through Government support. On 14 May 2020, TfL reached an agreement with the Government on a funding and financing package of £1.6 billion to cover the period from 1 April 2020 to 17 October 2020. The agreement came with a number of conditions including maximising service levels, the reintroduction of the London Congestion Charge, Low Emission Zone (LEZ) and Ultra Low Emission Zone (ULEZ), and temporary suspension of free travel for Freedom Pass and 60 plus card holders during peak hours and the suspension of free travel for under 18s.

On 31 October, TfL agreed a second extraordinary funding and financing support package with the Government, worth an initial £1 billion. This consists of £0.9 billion for operating and £0.1 billion for capital, and increases depending on the actual level of passenger income.[14] In total TfL has assumed total revenue support grant of £2.6 billion from Government for 2020-21.[15] The TfL Q2 2020-21 Quarterly Performance Report shows Government funding for the first half of the year at £913 million, which implies that TfL's funding expectation for the second half of the 2020-21 from this settlement is £1.7 billion.[16]

The package requires TfL to make £160 million of savings this financial year and the Mayor to raise additional income to provide concessions for Londoners which are not available in most of England (i.e. the 60 plus card and zip cards for young Londoners).

On 11 December 2020, an independent review into TfL's finances authored by TC Chew, Stephen Glaister CBE, Bridget Rosewell CBE and Sir Jonathan Taylor was published. The review considers TfL's long term future funding and financing options. The Government has also commissioned a parallel review conducted by KPMG. The review has not been published and TfL officers have only been given access to a redacted version.

Income assumptions

Since mid-March, the Government has introduced both national and local lockdowns to manage the spread of the virus. At its lowest, TfL saw a 95 per cent reduction in journeys on the Tube and an 85 percent reduction in journeys on buses, despite running an almost full service. Since May, ridership has slowly recovered, but passenger volumes for both buses and the Tube continue to be well below pre-pandemic levels.

The decline in passenger volumes has had an immediate impact on TfL's income, with TfL's budget submission for 2021-22 estimating that its anticipated passenger income will be reduced by over 70 per cent in 2020-21 from £5 billion to £1.5 billion.[17]

[13] TfL *Finance Committee*, *Agenda and Papers – 12 May 2020*, http://content.tfl.gov.uk/fincom-20200512-agenda-and-papers-public.pdf, pp. 5-8. Full Emergency Budget outlined at Appendix 1 of the 2 June 2020 TfL Board papers, http://content.tfl.gov.uk/board-20200602-agenda-and-papers-supplentary.pdf, pp. 37-55.
[14] 31 October TfL funding agreement TfL settlement-letter.pdf
[15] TfL 2021-22 Budget P81 http://content.tfl.gov.uk/board-20201209-agenda-supplementary-finance.pdf
[16] TfL Q2 2020-21 Quarterly Performance Report P5 http://content.tfl.gov.uk/qpr-q2-2020-21.pdf
[17] TfL, *Budget Submission 2021-22*, *http://content.tfl.gov.uk/board-20201209-agenda-supplementary-finance.pdf*

TfL's budget submission estimates that ridership will only return to 80 per cent of pre-pandemic forecasts by the end of 2021-22 and throughout 2022-23. In 2021-22, TfL expects ridership to continue increasing as COVID-19 restrictions are eased, but only to 60 per cent on average compared to the levels envisaged in the December 2019 Business Plan (rising to 80 per cent by March 2022).

This means that although passenger income will rise to £3.3 billion in 2021-22 and £4.6 billion in 2022-23, it is still 39 per cent (£2.1 billion) and 23 per cent (£1.4 billion) less respectively than forecast in the December 2019 Business Plan.

As Table 1 below shows, the budget submission includes a range of income assumptions. One assumption is that from January 2021, fares will rise by the July 2020 retail price index plus 1 per cent (total 2.6 per cent). This level of fare rise is assumed to continue throughout the life of the plan. The date of the fares increase has been postponed to 1 March 2021 in line with the delay to the annual National Rail fares increase.

Income assumptions also include current temporary changes to the Congestion Charge being retained for the next two years. This was confirmed by TfL's Director of Finance for Surface Transport and Major Projects, Patrick Doig, at the Budget and Performance Committee meeting on 16 December. At the same meeting, the Deputy Mayor for Transport, Heidi Alexander, indicated that the Mayor would have to go through a review and consultation process in the next financial year if he chose to make the changes permanent.

Also included is an expansion of ULEZ up to the North and South Circular roads in October 2021. In March 2021, TfL plans to toughen LEZ standards for HGVs, buses and coaches to Euro VI.

Table 1: Key assumptions behind TfL's income streams in its Budget Submission for 2021-22

	Budget Submission 2021-22: Assumptions
Passenger Income	• Average passenger demand for 2021-22 is 60% compared to 2019 Business Plan (80% of Business Plan by March 2022), average demand is 80% compared to the 2019 Business Plan in 2022-23 • Fares rise by RPI+1% from January 2021 and then same uplift again each year • Freedom Pass and 60+ Oyster removed from AM peak continues • Freedom Pass income follows current agreement with London Councils using two-year demand average
Other Operating Income	• Maintain current congestion charge days and hours as long as needed (value of £140m increase for 2021-22) including suspension of residents' discount to new applications • LEZ tightening March 2021, ULEZ in October 2021 • Latest ULEX assumptions include higher daily unique vehicles

LU/Rail Service Levels	• Potential restart dates on Night Tube and Waterloo & City line being kept under review • LU service reduction package of minor cuts to some weekend and off-peak services • Elizabeth line stage 3 opening assumed in first half of 2022
Bus Service Levels	• Overall network level operated km remains stable with services continuing to match changes in demand – e.g. between central/inner and outer London
Financial Assumptions	• Business Rates retention reduced by £200 million per annum based on GLA Budget guidance • Longer term RPI returns to 3.1% from 2022-23 (OBR forecast) • No new borrowing assumed from 2021-22 and throughout the plan period

Second funding agreement

In July 2020, TfL published a Revised Budget, which highlighted its requirement for further Government support from October 2020 to March 2022. TfL projected that on top of the £1.033 billion it was expecting to receive from Government in the first funding agreement, it would need a further £1.832 billion to continue operations until March 2021 and then an additional £2.940 billion to keep TfL funded until the end of the 2021-22 financial year. In total, the Revised Budget forecast that TfL would need £5.8 billion of Government funding to maintain services until March 2022.

The Revised Budget formed the basis of discussions between TfL and the Government on a second bailout package. On 31 October, TfL agreed a second Extraordinary Funding and Financing Agreement to cover the period to March 2021. This agreement replaces the previous funding package. The period for this funding agreement is 18 October 2020 until 31 March 2021 (the H2 Funding Period).

There are a number of notable conditions in the letter. These include:

- A requirement for TfL to produce, by 11 January 2021, a single, comprehensive management plan with options as to how financial sustainability will be achieved by April 2023. This plan must include, but is not limited to:
    I. A review of TfL's liquidity position, and review of level of reserves that is appropriate for the risks that TfL faces in the short, medium and long term; and
    II. A review of TfL's commercial development activities with the aim of maximising its use to aid future sustainability, subject to near term affordability.
- For TfL/the Mayor to deliver £160 million of additional savings, work with the Government led expert review on the possible implementation of driverless trains and commit to an RPI+1 per cent fares increase in January 2021.[18]

[18] The fares increase was subsequently delayed to March 2021. Evening Standard 16 December tube-bus-fare-london

- Any concessions not available nationally (i.e. free travel for all Londoners aged under 18 and 60-65) must be met by TfL/the Mayor and not through Government funding. TfL and the Mayor have proposed that this could potentially include proposals to maintain the Congestion Charging changes implemented in June 2020, subject to consultation and due process; and / or by an increase to the existing TfL element of the GLA Council Tax precept from 1 April 2021 provided the Government has agreed to take all the necessary steps to enable such a precept increase, subject to approval of the House of Commons. TfL/the Mayor will submit their proposals, by 11 January 2021, alongside the financial sustainability plan.

At the 16 December Budget and Performance Committee meeting, Deputy Mayor for Transport Heidi Alexander confirmed that the Mayor would retain concessionary fares in London but had not yet made a decision about whether they would be financed through a rise in Council Tax or from current changes to the Congestion Charge being extended. This, the Deputy Mayor stated, would be clarified in the financial sustainability plan that TfL was due to present to the Government on 11 January 2021. The Mayor announced on 8 January 2021 a proposed Council Tax increase of 9.5 per cent. The Mayor's component of the annual Council Tax charge for a Band D household is proposed to increase by £31.59, including funding of £15 for TfL.

At the 5 January Budget and Performance Committee meeting, the Mayor explained that based on 2018-19 levels of ridership, the total cost of TfL's concessionary fares was around £346 million, and of this, around £125 million was in respect of concessions not available nationally.

Recommendation 1 TfL should publish its January 2021 financial sustainability plan submission to Government.

Recommendation 2: TfL should set out clearly how it plans to fund concessionary fares in the Mayor's Final Draft 2021-22 Budget.

In the same meeting, the Commissioner Andy Byford, indicated that TfL had accepted a shorter, 6-month deal with the Government with the expectation that a longer-term sustainable financial deal could be achieved next year. The Commissioner stated these discussions had now started. It is not clear what such a deal will look like, but TfL's Independent Financial Review (discussed below) could play a significant role.

Recommendation 3: TfL should continue work to secure a long-term sustainable funding deal with Government.

Capital programme

TfL's budget submission includes a 20-year capital strategy and is intended to complement its Comprehensive Spending Review (CSR). The CSR was cancelled this year and replaced by a one-year spending round. TfL states that it continues "to make the case to government for confirmed capital funding [...] we are unable to commit to long-term projects without long-term certainty of funding, which we do not currently have."

TfL's CSR submission was published in September 2020 and states that TfL's long-term capital plan prioritises asset renewals, targeting replacements at the end of design life. Within TfL's CSR submission, the cost of renewing core assets such as maintaining station escalators, replacing train fleets and bridge works will amount to around £1.5 billion.

At the 16 December Budget and Performance Committee, the Commissioner reiterated that the CSR submission was not a "shopping list" and was based on maintaining a state of good repair for TfL's core assets. In the same meeting, TfL's Chief Finance Officer, Simon Kilonback, stated that the submission was based on meeting the Government's strategic objectives around the decarbonisation of public transport, which were aligned with the objectives set out in the Mayor's Transport Strategy.

Other schemes in the package include:

- Piccadilly line signalling replacement and Holborn station upgrade - this would cost £2.5 billion.
- Higher capacity Jubilee line fleet – this would cost around £1.9 billion plus enabling works.
- Bus electrification by 2030 - this would cost £1 billion to 2030; the Chief Financial Officer, Simon Kilonback, stated that this would essentially accelerate the decarbonisation of the bus fleet from 2037 to 2030.
- An investment of £350 million to deliver between 2,300 to 4,100 rapid charge points and between 33,700 to 47,500 slow-to fast charge points by 2025.
- The development of a central London Zero Emission Zone - this would require £5 million.
- Adding new accessible stations – costs of this are scalable at different levels.
- Increasing frequency on the Elizabeth line – this could cost £0.5-£1 billion.
- DLR extension to Thamesmead – this would cost around £800 million.

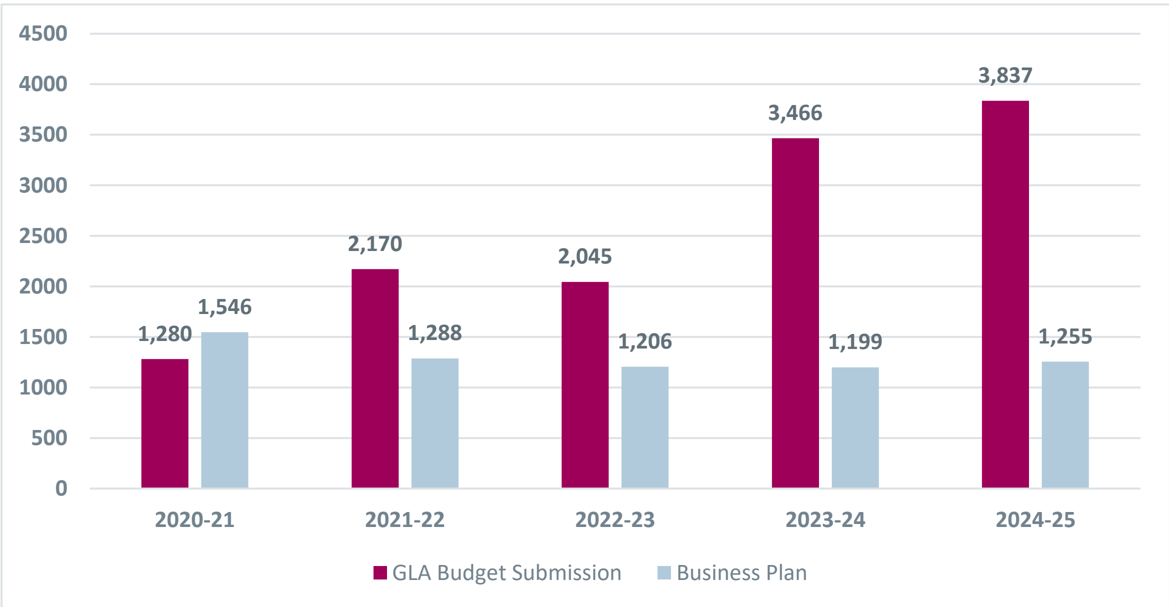
- Delivering housing for London – includes West London Orbital, North Action and Canning Town station upgrades and investment for the Growth Fund – the immediate cost would be nil. The first tranche would be £350 million, and the second and third tranche would be £200 million each.
- Camden Town and Northern line separation – this would cost £0.6-£1.3 billion.
- TfL ask for an investment of £3.4 billion to 2030 to fully deliver projects that enable more walking and cycling and improve bus services across London.
- To support the zero-emission fleet, TfL will need to spend £300 million on power upgrades and charging infrastructure. In addition, accelerating conversion to 2030 will increase operating costs by £700 million up to 2036-37, owing to the difference in cost between conventional and electric buses, net of fuel savings.

Capital funding

As Figure 1 below highlights, TfL's capital expenditure is set to increase compared to the expenditure set out in the 2019 December Business Plan (not including Crossrail investment) over the same period. Funding for this will largely come from capital receipts, Retained Business Rates and will, in 2023-24 and 2024-25, be funded from an extraordinary capital grant from the Government instead of borrowing, subject to the level of future funding to be agreed with Government.

In the same period, TfL's capital receipts are set to be higher than in previous years (with the exception of 2018-19 which was boosted by the sale and leaseback of the Elizabeth line trains).

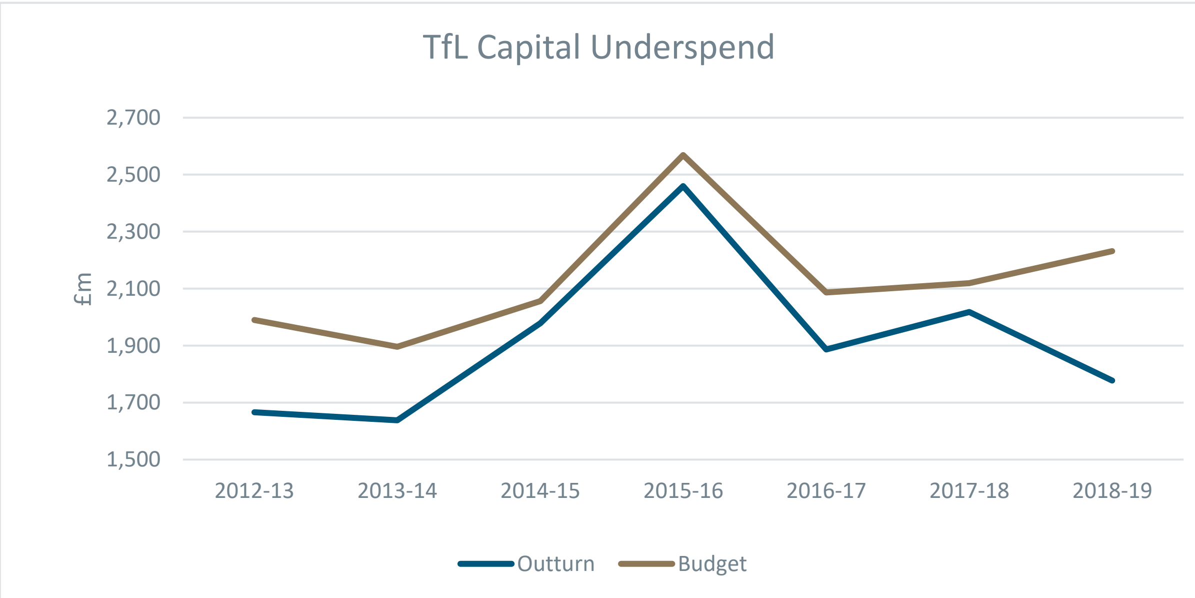
Figure 1: TfL's capital expenditure is set to increase higher than the levels set out in the 2019 December Business Plan



There are risks around whether the level of capital receipts required to fund this level of expenditure will be realised; since 2016 TfL has under-recovered anticipated capital receipts by 7-15 per cent. There are further risks around whether an organisation, recovering from a huge financial shock, relying on Government support and required to make substantial savings, will be able to deliver an enlarged capital programme. At the 16 December Budget and Performance Committee meeting, the Commissioner stated that this was an area that was "subject to sudden vagaries" and that TfL was proceeding "carefully" to ensure that it receives these receipts.

As Figure 2 highlights, TfL has consistently underspent its capital budget, indicating that it may have a systemic issue with delivery. The Crossrail project has shown that it is not unusual in infrastructure delivery for there to be an overly optimistic culture. This can result in plans and budgets being set that are consistently too ambitious to be achieved. At the 16 December Budget and Performance Committee meeting, TfL CFO Simon Kilonback acknowledged that TfL has underspent in the past and needed to improve its delivery capability.

Figure 2: TfL has consistently underspent against its capital budget



The Government has recognised the benefit of long-term funding arrangements for transport infrastructure. Both the National Railway Network and 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.

Property portfolio

A key strategy to generating funding for TfL's capital plan includes maximising income from its property development business. TfL states that in 2021-22 it will bring housing projects through planning and invest in property assets. These, TfL believes, have the potential to generate significant ongoing revenue streams or reduce TfL's cost base.

However, a recent LBC radio investigation found that since 2016, TfL has only built 15 per cent of the 10,000 affordable homes it pledged.[19] When questioned about TfL's homes programme at the 16 December Budget and Performance Committee meeting, the Commissioner stated that TfL would not be able to achieve the original start date of 10,000 homes by March 2021 due to the COVID-19 pandemic and that a new start date would be confirmed once TfL has received funding certainty from Government.

Recommendation 4: TfL should publish a new target date, in the Mayor's Final Draft 2021-22 Budget, for the delivery of the 10,000 affordable homes that it has promised.

Furlough scheme

To further alleviate costs, TfL used the Government's Coronavirus Job Retention Scheme to furlough 7,000 of its back-office staff whose work was reduced or paused as a result of the pandemic. The furloughed workers remained on TfL's payroll and TfL accessed the Government scheme to claim a reimbursement of 80 per cent of their salaries, saving TfL, but not the taxpayer, an estimated £15.8 million every four weeks. TfL paid the remaining 20 per cent to ensure staff received full pay during their furlough period.

Given that TfL is reliant on the Government for emergency funding, there is confusion around why the furlough scheme was used in the first instance when, for the same cost to the Government, these workers could have continued working.

At the London Assembly's Plenary meeting on 10 September, Simon Kilonback, the TfL CFO, stated that following the resumption of full services and the restart of project delivery the number of employees furloughed had reduced from the initial 7,000 to around 3,000. These, he suggested, would include some who had been shielding and home schooling. He informed the Assembly that £50 million had been received from the Government to fund the employees being furloughed. Critically, the CFO stated that it was a Government requirement that TfL used the furlough scheme.[20] The Mayor confirmed this in the Budget and Performance meeting on 22 October, when he stated that the DfT had written to TfL on 20 April instructing TfL to use the Furlough scheme. The Committee requested to see a copy of this letter and found that it stated that 'both TfL and its supply chain will be able to benefit from the Coronavirus Job Retention Scheme'. This appears to fall short of an instruction, but could be considered an invitation.

[19] LBC, *TfL have built just 15% of the 10,000 affordable homes they pledged,* 21 August 2010, https://www.lbc.co.uk/news/tfl-build-just-15-of-10-000-pledged-affordable-homes/
[20] London Assembly, *Plenary Meeting,* 10 September 2020 https://www.london.gov.uk/london-assembly-plenary-2020-09-10

At the 16 December Budget and Performance Committee meeting the TfL CFO stated that TfL were "heavily encouraged" to use the scheme by senior officials and Government Ministers. At the same meeting, he confirmed that TfL was saving £60 million from the use of the scheme.

TfL Independent Financial Review

On 11 December 2020 TfL published the Independent Financial Review. The review was commissioned by TfL and the Mayor in July. The report sets out TfL's financial position and establishes a long-term funding gap before assessing the following options:

- Operating costs: service reductions – these would predominantly be the reduction of bus routes, this option is not recommended by the report.
- Operating costs: further efficiencies – the report calls for reform of the TfL pension scheme.
- Funding from transport users – this suggests removing the 60+ pass and low fares increases, devolution of monies raised through Vehicle Excise Duty (VED) to London and expansion of road user charging including introduction of a boundary charge.
- Asset sales and property development - asset sales are unlikely to make a useful contribution and a fire sale of assets looks a very poor option in the current climate.
- Reducing asset and capital investment – it is not believed that medium-term savings are possible on renewals and asset investment. A reduction in capital investment is not recommended.
- Taxation - public transport funding should reflect the wider economic benefits generated by the public transport system. A Council Tax precept could raise revenue from residential properties. An employment levy is not recommended. A VAT supplement could capture value from sales generated in London. A supplement for Business Rates is not recommended.
- Government grant - access to Government investment grants for major projects would be essential.
- Debt measures – new borrowing is not recommended. TfL may want to borrow in the future to pay for projects that show a monetised return.
- Other funding – project specific e.g. Business Rate Supplement or Mayoral Community Infrastructure Levy.

The Government has also commissioned a parallel review conducted by KPMG. The review has not been published and TfL officers have only been given access to a redacted version.

Recommendation 5: TfL and the Mayor to be clear around which of the Independent Financial Review suggestions are being actively pursued.

Recommendation 6: TfL to work with the Government to secure access and to publish the KPMG report.

Crossrail

Prior to the pandemic, TfL's finances were dominated by constant delays to the delivery of the Elizabeth line, a major new railway for London and the South East. The COVID-19 pandemic has led to further delays, in part due to a pause in construction and due to social distancing requirements on building sites. It was originally expected to be delivered in 2018.

On 21 August 2020, Crossrail Limited announced that its latest cost forecasts indicated a further £1.1 billion was required to complete the project. This replaced the £400 million to £650 million announced back in November 2019 and is in addition to the £2.15 billion original funding top up agreed. The line is now forecast to be open in the first half of 2022.

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.

At the Budget and Performance Committee meeting on 16 December, the Commissioner committed to no further delays or further call on public funds, but said that this was based on the project being given £1.1 billion in funding. He went on to say that the £825 million received would be a challenge and that there was an understanding with DfT that an additional £275 million could potentially be required.

In the same meeting, the GLA's Executive Director of Resources, David Gallie, stated that the £825 million borrowing "maxes out" the GLA's ability to borrow from the Business Rate Supplement and the Mayoral Community Infrastructure Levy. These are set to last until 2041 and 2043 respectively. He also stated that this source of funding was now exhausted and could not be used for other transport schemes. The Mayor confirmed at the Budget and Performance Committee meeting on 5 January 2021 that after the £825 million there was "nowhere else to go… the Government would need to step in."

Recommendation 7: TfL to clarify in the Mayor's Final Draft 2021-22 Budget what the final expected cost of Crossrail will be.

Chapter three - MOPAC

Recommendation 1

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 draft 2021-22 Budget on realistic funding expectations.

Recommendation 2

The Mayor should set out how his 1,000 additional officers would be funded in the event of the anticipated Business Rates restructure.

Recommendation 3

MOPAC should be clear in its draft 2021-22 Budget how much of its forecast revenue budget funding gap arises from its assumptions on costs associated with the Government's officer growth programme, and how much can be attributed to other underlying structural pressures.

Recommendation 4

MOPAC should present an updated strategy for its approach to estates and general capital spending, based on appropriate assumptions of police officer recruitment and service transformation.

Recommendation 5

MOPAC should consider alternative revenue streams to generate income in the Mayor's Final Draft 2021-22 Budget.

Introduction

MOPAC has a net revenue budget of just over £3.5 billion. The budget primarily covers the operating costs of the MPS, the policing service for London, but also includes provision for MOPAC's own commissioning and running costs. MOPAC, a Mayoral body, sets the direction and budget for the MPS. Alongside its community safety role, the MPS is focused, it says, on delivering an ambitious organisational transformation programme based around greater efficiency and modernisation of working practices.

Financial position

The Mayor initially asked MOPAC to find £45 million of savings for 2020-21 based on a reasonable worst-case scenario assessment of the loss of Business Rates and Council Tax income caused by COVID-19. The Mayor subsequently committed to provide MOPAC with access to business rates reserves to reduce this saving by half. However, this still means MOPAC must deliver up to £22.75 million[21] in-year savings for 2020-21, as well as up to £63.8 million in 2021-22.[22]

In November 2020, MOPAC published a budget submission for 2021-22. The Budget and Performance Committee examined this submission in a meeting on 10 December 2020. The next section highlights some of the issues within the budget that could potentially impact MOPAC's financial sustainability going forward.

Budget Submission for 2021-22

Police Officer numbers

In September 2019, the Government announced a national campaign to fund and recruit 20,000 new police officers by 2022-23 to be shared among the 43 forces in England and Wales.[23] It was expected that, nationally, 6,000 police officers would be recruited by 2021, 8,000 more by 2022 and the final additional 6,000 by 2023. The Assembly called for 5,000 of the officers to be allocated to London; the Commissioner and Mayor have since called for 6,000,[24] arguing that London has higher demands for policing given its crime challenges.[25] This would equate to an almost 20 per cent increase in force numbers (bringing the total to 37,000).

The 2019 Spending Review allocated £750 million in funding for 6,000 of these police officers across England and Wales and the MPS received funding for 1,369 additional officers in 2020-21. On 25 November, the 2020 Spending Review was published, with the Chancellor announcing £400 million in funding for a total of 6,000 additional police officers; this was fewer than the 8,000 previously expected and just over half of the amount of money received for the same level of officers in 2020-21.[26]

At its 22 September meeting, the Budget and Performance Committee heard that, without funding from the Government, MOPAC is unlikely to be able to afford the full level of officers included in its budget. At the 10 December Budget and Performance Committee meeting, Chief of Corporate Services, MPS, Robin Wilkinson OBE confirmed to the Committee that MOPAC "were allocated our funding formula share of the first 6,000, and regrettably every indication that we are getting from officials that we are speaking to in the Home Office and elsewhere at the moment is that that will apply to the second year allocation as well. We will get, I think, a funding formula share rather than the greater share that we think we need to keep London safe."[27] In the same meeting, the Deputy Mayor for Policing and Crime, Sophie Linden, implied

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[21] The Mayor announced on 17 September 2020 the creation of a new Group reserve to be held by the GLA totalling £41.5 million to fund a 50 per cent reduction in the initially set GLA: Assembly, GLA: Mayor, LFC and MOPAC 2020-21 savings targets in case they are not achievable through increases in income in 2022-23 and 2023-24.
[22] Mayor's Budget Guidance 2021-22, page 10-11
[23] National campaign to recruit 20,000 police officers launches today, 5 September 2019
[24] Assembly Motion 6 February 2020 police-forces-need-assurance-on-officer-numbers
[25] https://www.standard.co.uk/news/london/cressida-dick-i-want-6-000-of-pm-s-new-20-000-police-officers-in-london-a4223836.html
[26] Gov.uk, Spending Review 2020, published 25 November 2020
[27] Budget and Performance Committee meeting 10 December 2020, Minutes, page 5

that MOPAC has been budgeting based on desired operational policing requirement, rather than expected, financial outcomes from the Government. She told the Committee that "for the next financial year, when we set the budget, we will know the numbers [...] and therefore that will be very clear for next financial year. We will have to set the budget with the numbers we are given. Going forward, I think we will do what we have done for the last couple of years, this is what the Commissioner thinks London needs operationally."[28]

Despite the lack of certainty over Government funding for these officers, MOPAC's budget submission for 2021-22 is based on recruiting the 6,000 police officers by 2023. The proposals assume that 2,646 additional officers will be recruited in 2021-22 and that additional funding of £142 million will be made available. For 2022-23, the budget submission assumes that an additional 1,985 officers will be recruited but does not assume that Government funding will be available at this stage. This leaves MOPAC with a significant funding gap of £301.4 million in 2022-23, although only £168.4 million of this is due to the additional funding requirement for the officer uplift and £133.1 million (44 per cent of the total) is due to a structural funding gap; i.e. the base budget is underfunded to that degree.

An additional £15.8 million of funding was originally made available by the Mayor for the recruitment of an additional 600 officers in the period from 2020 to 2022. This was to facilitate recruitment towards a budgeted headcount of 33,000 by the end of 2020-21. The Mayor has indicated that MOPAC can set this £15.8 million aside in earmarked reserves to fund the 2020-21 savings targets. The Mayor has also set aside funding for his own allocation of a further 1,000 police officers on top of the Government's provision. This appears in the Metropolitan Police budget as a £59.3 million funding figure from an earmarked Business Rates reserve for both 2021-22 and 2022-23. Even after this provision, there is still a funding gap for each of those years.

This reserve was set up by the Mayor in January 2019. At that stage there was expected to be a full reset of the Business Rates retention system. It was also considered highly likely that at the same time reforms to the Business Rates retention system would be made which would result in a two-year time lag in the receipt of Business Rates growth.[29] The reserve was intended to fund an additional 1,000 officers during this time lag. So if, as seems entirely possible, Business Rates are restructured post the COVID-19 pandemic, it raises a question as to the financial sustainability of the Mayor's additional 1,000 police officers. The Mayor has recognised this issue and has tasked City Hall officials to work on a plan on how his reserves could be used to help protect frontline policing services now and in the years ahead.[30]

[28] Budget and Performance Committee 10 December Transcript
[29] Mayor's 2019-20 Draft Budget finaldraftbudget_-_part_1_mayorsstatement_2019-20_final
[30] Mayor's press release 26 June 2020 mayor-sets-out-plan-to-deliver-500m-savings

Recommendation 1: 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 draft 2021-22 Budget on realistic funding expectations.

Recommendation: 2: The Mayor should set out how his 1,000 additional officers would be funded in the event of the anticipated Business Rates restructure.

Budget gap

While it is anticipated that MOPAC will deliver a balanced budget in February 2021, its budget submission shows a £37 million budget gap for 2021-22. By 2022-23 the budget gap rises to as much as £301.4 million. Of this, £168.4 million relates to an unfunded officer uplift, while the remaining £133.1 million is the result of a structural budget gap.

There are uncertainties around whether further savings can be made to close this gap. Since 2013, the MPS has achieved gross savings of £886 million between 2013-14 and 2019-20. However, unsurprisingly, the rate at which savings can continue to be made is slowing. In 2019-20, the MPS fell short by £8.8 million, delivering £26.3 million of savings against a budgeted savings target of £35.1 million. The MPS' struggle to meet these savings targets is a concern given the additional savings now required both this financial year and, more significantly, next year.

At the 10 December Budget and Performance Committee meeting, Robin Wilkinson OBE, Chief of Corporate Services, MPS, stated that the £37 million figure "almost certainly will be a different figure when the final budget comes through." He did not provide the Committee with specific proposals to reduce the gap, instead stating that MOPAC was "running a priority-based budgeting process which is a detailed look at all of our services from the bottom upwards, looking at areas for further efficiency savings where we have service delivery choices." The budget submission states that while the Mayor and the MPS will "continue to seek efficiency improvements and savings [...] it would not be possible to close this budget gap by delivering yet more savings and efficiencies without reducing officer and staffing numbers."

The Met receives a specific National and International Capital City (NICC) grant, which has been a bone of contention for a number of 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 maintain the underfunding is about £160 million a year).[31] [32] While this underfunding persists, the Met effectively subsidises counter-terrorism, policing of demonstrations and other responsibilities that come with policing a major city and this impacts neighbourhood policing.

At the 5 January Budget and Performance Committee meeting the Committee heard that the Met had incurred £50 million of COVID related costs, of which only £17 million had been refunded by Government and that the funding of the remaining £33 million along with an increase in the NICC grant would help address the £133 million budget gap in 2022-23 which does not arise from the unfunded officer growth programme.

Recommendation 3: MOPAC should be clear in its draft 2021-22 Budget how much of its forecast revenue budget funding gap arises from its assumptions on costs associated with the Government's officer growth programme, and how much can be attributed to other underlying structural pressures.

Capital programme

The MPS' capital programme amounts to £1.6 billion between 2020-21 and 2024-25. The capital programme ensures that the MPS can invest in state-of-the-art facilities and technology, and in theory, facilitates the large-scale transformation required to ensure that the MPS 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.

The MPS capital programme provided for £414.7 million of expenditure in 2020-21. This was to be funded from a combination of capital receipts, grants, and borrowing. At Quarter 2, the forecast capital expenditure outturn for 2020-21 was £333.8 million – an underspend of 19 per cent (£80.9 million) against the £414.7 million budget.

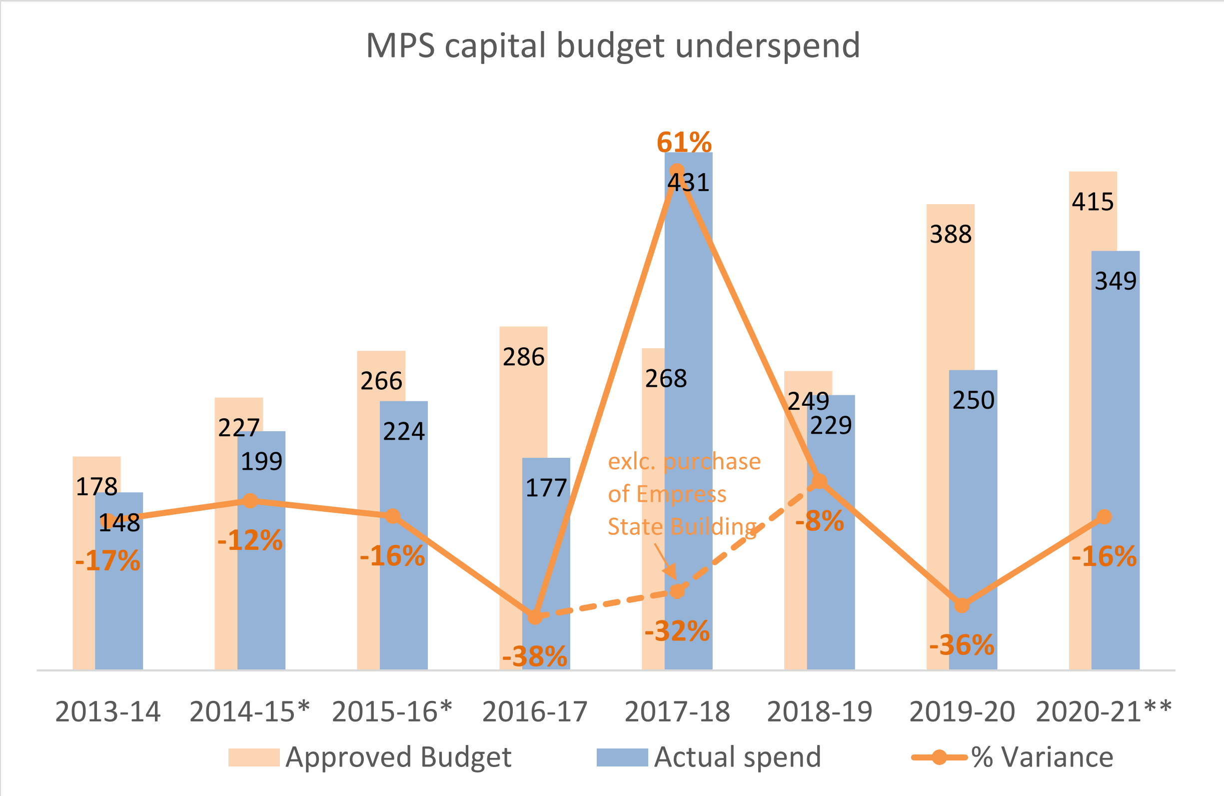
At the 10 December Budget and Performance Committee meeting, Chief of Corporate Services, MPS, Robin Wilkinson OBE stated that some of this underspend was COVID-19 related, while some could be attributed to reduced capital receipts following the growth in police officers. As a result, he said "we have had to have another look at our estate strategy to ensure that it is the right strategy."

However, the underspend is not a one-off. The capital budget has been habitually underspent. In 2019-20, MOPAC spent £138 million (36 per cent) less than it was allocated in the Mayor's

[31] Mayor's Answer for Government's continued underfunding of the NICC grant, 28 December 2017
[32] Lynda McMullan, Director of Commercial Finance, MPS, speaking at the Committee on 11 December 2018

Capital Spending Plan.[33] With the exception of 2017-18 (where a 61 per cent overspend was reported due to the purchase of the Empress State Building) the MPS has similarly underspent its capital budget every year since 2013-14.[34] At the 10 December Budget and Performance Committee meeting, Robin Wilkinson OBE stated that this was an issue that "continues to vex us."

Figure 3: The MPS has consistently underspent against its capital budget



Source: MOPAC Q4 Reports 2013-14 to 2019-20; MOPAC Q1 Report 2020-21
Note: Uses the 'approved budget' figure given by MOPAC in quarterly reporting unless stated otherwise
**Uses revised rather than approved budget; **Forecast outturn only*

The MPS's capital programme for 2021-25 is largely funded through capital receipts and additional borrowing. These are key as only a capital grant of around £3 million is received from Government annually.[35] A planned shrinking of the estate portfolio (and an increase in 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 2021-22 budget submission shows capital financing costs going up from £95.1 million to £165.9 million in 2022-23. There are questions around how sustainable this is

[33] MOPAC Quarter 4 Report 2019-20 suggests there was a revised budget for this year of £274.3 million
[34] MOPAC Q4 Reports 2013-14 to 2019-20; MOPAC Q1 Report 2020-21
[35] Budget and Performance Committee Page 12 10 Dec 20

and to what extent these costs contribute to MOPAC's substantial revenue gap of £301 million in 2022-23.

Recommendation 4: MOPAC should present an updated strategy for its approach to estates and general capital spending, based on appropriate assumptions of police officer recruitment and service transformation.

COVID-19 impact on third party income

COVID-19 has had a significant impact on MOPAC's ability to generate income. The MPS continues to face pressure in terms of third-party income received from the provision of externally funded policing services to key partners such as London airports, TfL and other agencies. In 2019-20, this allowed MOPAC to generate income of £274.8 million. In 2020-21, planned income was £283.7 million.

However, recent forecasts predict a £20.4 million under-recovery of third-party income this financial year. This includes a £7 million reduction from TfL for funded officer roles, £8.8 million in Aviation Policing and vacancies in Specialist Operations. It is not clear how MOPAC will address this income loss. Many partners who ordinarily purchase MPS services are themselves facing financial challenges brought on by COVID-19. Although the Home Office has reimbursed some of the income lost in 2020-21, MOPAC states that there is no indication that more financial support for lost income will be forthcoming from Government.

At the 10 December Budget and Performance Committee meeting, Chief of Corporate Services, MPS, Robin Wilkinson OBE stated that "our current position […] is that we think our income next year in those core lines will hold up well, that is certainly the indications that we are getting, and that the policing services that we provide across into the transport network and into the airports remain important and will be retained."

The Committee notes the absence of the Government covering the costs of COVID-19 related lost income (such as airports policing due to the closure of airports). In the absence of Government support, the Met should explore other funding avenues such as housing development income or increased income from the policing of events.

Recommendation 5: MOPAC should consider alternative revenue streams to generate income in the Mayor's Final Draft 2021-22 Budget.

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Chapter four – London Fire Commissioner

Recommendation 1

The Commissioner should demonstrate value for money for senior appointments and maintain the LFB's commitment to its youth-related activities.

Recommendation 2

The LFB should provide a realistic plan, with timescales, on how overspend on overtime will be driven down in the Mayor's Final Draft 2021-22 Budget.

Recommendation 3

The LFB should outline a plan for a sustainable long-term financial strategy that is less reliant on drawing down its reserves in the Mayor's Final Draft 2021-22 Budget.

Recommendation 4

The aim of the GLA Collaboration Group is to "secure further tangible savings through greater collaboration across the GLA Group." The LFC should outline any impact that GLA Group collaboration will have on the LFB's finances in 2021-22.

Recommendation 5

The Committee supports the LFB in its efforts to work with the Government to secure additional funding, however there is no guarantee additional resources will be provided. The LFB must create a contingency plan in case the Government does not provide funding for items such as the LFB's pension allocation for 2021-22. Thereafter, the Government and the LFB must agree a long-term pensions funding settlement.

Recommendation 6

The LFB should outline in the Mayor's Final Draft 2021-22 Budget how it has sufficient resources to fund the delivery of its transformation.

Recommendation 7

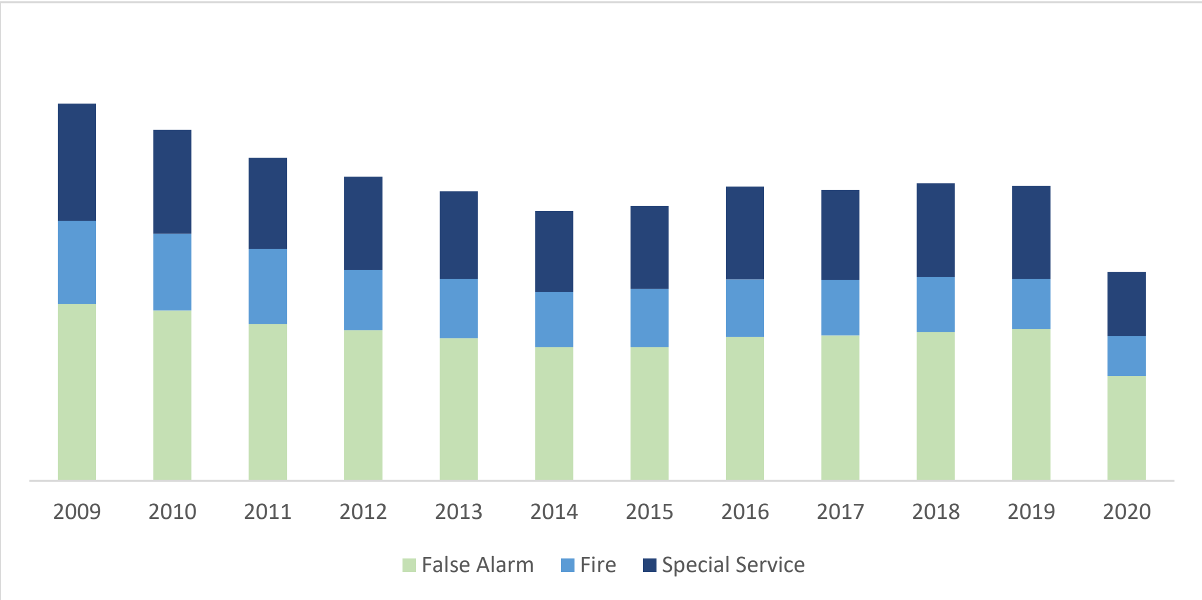
The LFB should clarify what tangible benefits the £7.7 million spend on the transformation programme will have for Londoners in the Mayor's Final Draft 2021-22 Budget.

Background

The London Fire Brigade (LFB), the operational arm of the London Fire Commissioner (LFC), provides vital frontline services to protect the capital's 8.6 million residents. Her Majesty's Inspectorate of Constabulary (HMICFRS) states that the LFB is the "busiest fire & rescue service in the country, and one of the largest in the world."[36]

Over the last decade, the number of fire and non-fire incidents that the LFB has responded to has fallen (see Figure 4). In 2009, the fire service responded to 134,379 incidents, of which 29,591 were fires and 41,797 were incidents which required special services. Comparatively, in 2019, the service attended 17,993 fires and 33,053 special service incidents – a respective 39 per cent and 21 per cent decrease. 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.

Figure 4: Number of incidences dealt with by the fire service since 2009.



Source: London datastore: London Fire Brigade Incident Records 2009-2020[37]

In the last few decades, there has also been a downward trend in the number of fire deaths in London (Figure 5). 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' 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."[38]

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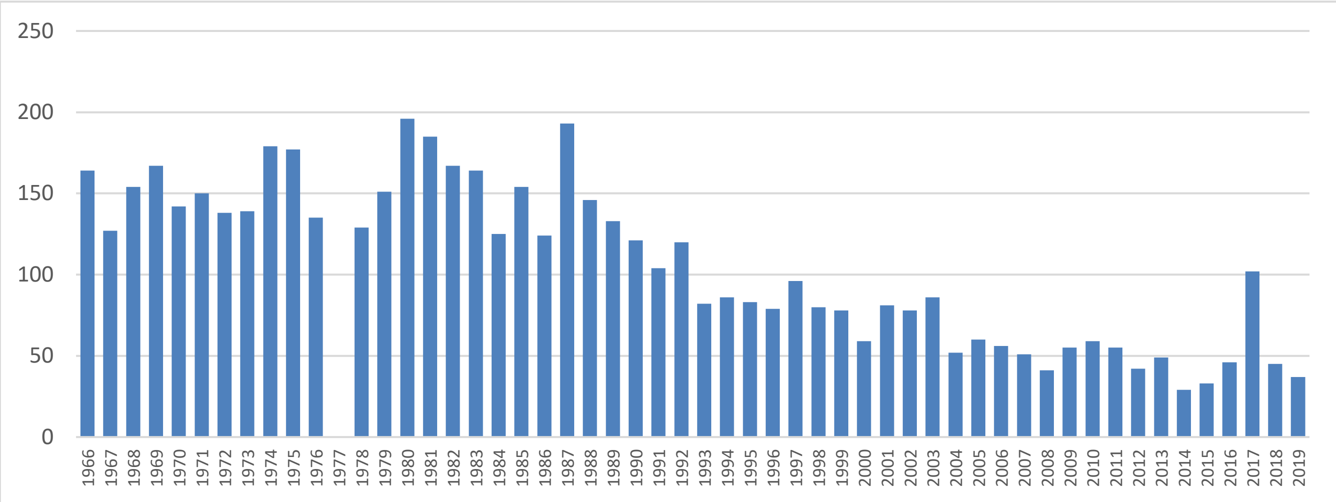
[36] HMICFRS, *London Fire Brigade*, https://www.justiceinspectorates.gov.uk/hmicfrs/fire-and-rescue-services/london/
[37] London Fire Brigade Incident Records 2009-2020 London-fire-brigade-incident-records
[38] LFB, *Transformation Delivery Plan progress*, 18 August 2020, https://www.london-fire.gov.uk/media/5347/LFB-0396-tb_reporton_progress_against_the_tdp.pdf

Figure 5: Total number of fire deaths in Greater London, since 1966



Source: LFB, Fatal fires in Greater London – Fire Facts (2019)[39]

In 2016, the then in-coming Mayor of London, Sadiq Khan, commissioned an independent report to look at the Brigade'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."[40]

Financial position

The COVID-19 pandemic has had a dramatic impact on the LFC's financial capabilities, with the Mayor initially asking the LFC to make savings totalling £10 million by the end of 2020-21, and £15 million by the end of 2021-22. In September 2020, the Mayor signed Mayoral Decision 2695, which established a Group-wide reserve of £45.1 million to halve the in-year savings for all the functional bodies, except for TfL and the two mayoral development corporations.[41] This means that LFC's in-year savings target was reduced to a maximum of £5 million. Its target for 2021-22 remains £15 million.[42]

[39] https://data.london.gov.uk/dataset/fire-facts--fire-deaths-in-greater-london NB: Data for 1977 is missing in the graph as it was only available until 31 October 1977 (36, 151 fires and 700 chimney fires) due to a fire service national strike.
[40] GLA, *Mayoral Press release,* 2 November 2016, https://www.london.gov.uk/press-releases/mayoral/overall-the-service-has-coped-well-with-cuts
[41] Mayoral Decision 2695, *Allocation of GLA Group reserves in response to COVID-19,* 17 September 2020, https://www.london.gov.uk/decisions/md2695-allocation-gla-group-reserves-response-covid-19
[42] The Mayor's Budget Guidance 2021-22, 26 June 2020, https://www.london.gov.uk/sites/default/files/mayors_budget_guidance_2021-22_final.pdf, p. 11

As well as being required to make significant savings this year and next, the LFC's budget submission for 2021-22 projects an overspend of £5.6 million for 2020-21. Taken together, this means that the LFC faces a £10.7 million budget gap in 2020-21.[43]

On 10 December 2020, the Budget and Performance Committee held a meeting with the Fire Commissioner, Andy Roe, Deputy Mayor for Fire and Resilience Dr Fiona Twycross and Sue Budden, Director of Corporate Services, to examine the LFC's budget proposals for 2021-22.[44]

The Committee identified key issues of concern within the LFC's budget submission, including an overreliance on its reserves, a potential draw down in its commitment to youth education and a recruitment freeze that could, with changes in the regulation of the built environment on the horizon, significantly hamper the Brigade's ability to serve and protect Londoners.

Budget Submission 2021-22

COVID-19

The LFC has accrued significant costs related to COVID-19. During the pandemic, the LFC provided a range of services to assist London's response to the crisis. This included working with the London Ambulance Service (LAS). In April of this year, the LAS and the LFB launched the Ambulance Driver Assist (ADA) programme, to allow firefighters to drive ambulances and assist paramedics in their work when required. The Committee supports this work as an example of blue light collaboration which has provided much needed emergency support to Londoners in tackling the pandemic.

The cost of helping the LAS, along with direct orders of additional Personal Protective Equipment (PPE), face masks, increased clothing and laundry costs and additional IT and communications costs associated with working from home arrangements, mean that the LFB's total forecast cost of COVID-19 is £9.4 million for 2020-21. This will be offset by £1.8 million in grants from the GLA[45] and by additional income from the LAS of £3.5 million on overtime and allowances for ADA support – but this still leaves £4.1 million of net expenditure.[46]

Savings proposals

The LFC's budget submission for 2021-22 sets out proposed funding levels for 2021-22 of £391.8 million; this is in line with Scenario 3 in the Mayor's 2021-22 Budget Guidance. The funding for 2022-23 is £403.6 million; £5.4 million more than the £398.2 million LFC was provided for its forecasting purposes by the Mayor's Budget Guidance.[47]

Before any new savings proposals, the LFC has a budget gap of £5.8 million in 2021-22. This rises to a budget gap of £23.5 million in 2022-23. Following an internal budget process to

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[43] LFB, *Budget Submission 2021-22*, https://www.london-fire.gov.uk/media/5486/lfc-0432-d-budget-submission-2021-22-final-signed.pdf
[44] Budget and Performance Committee meeting, 10 December 2020.
[45] From the second tranche of funding provided by the Ministry of Housing, Communities & Local Government (MHCLG) in emergency COVID-19 funding. See: Mayoral Decision 267
[46] LFB Budget Submission 2021-22.
[47] *Ibid.*

identify saving proposals to meet these requirements, the budget submission includes £8.2 million in savings over the period 2021-22 to 2022-23. Of this, £4.2 million in savings has been proposed for 2021-22, with the remaining £4 million being achieved in 2022-23. The proposals include a number of reductions in posts, including the deletion of Local Intervention Fire Education (LIFE) posts. LIFE provides courses for those aged 14 to 17, who face challenges and can learn transferable skills through firefighting. The posts will be the subject of a Youth Review currently being undertaken by the LFC.[48]

The submission also proposes the deletion of five Business Administration Apprentice roles, which are currently vacant. At the 10 December 2020 Budget and Performance Committee meeting, the Director of Corporate Services, Sue Budden, stated that this was a "casualty of this budget round in that we do not have the facility to support that process. We have had success with business apprentices, but it is something that we cannot support going forward, especially in light of the FRS recruitment freeze as well that we have at the moment. We would look to reinstate it if it were possible in the future."[49] Conversely, the budget submission proposes the creation of two new senior posts. At the same meeting, the Commissioner stated that there was a strong business case for the senior appointments and reiterated the Brigade's commitment to youth and community engagement.[50] However, the Committee is concerned that further financial pressure may lead to a scaling down in the Brigade's commitment to youth activities.

Recommendation 1: The Commissioner must demonstrate value for money for senior appointments and maintain the LFB's commitment to its youth-related activities.

Staffing numbers

The LFC's budget submission for 2021-22 proposes a recruitment freeze for operational and Fire and Rescue Service (FRS) staff. This will result in total reductions in operational staff spend of £14.7 million over two years (based on a start date of April 2021). This assumes that the savings from a recruitment freeze are not offset by the use of additional staff overtime or agency worker costs. On this basis, it would result in an expected operational workforce reduction of 108 staff in 2021-22 and 296 staff in 2022-23.

An FRS recruitment freeze would result in a reduced spend in 2022-23, which is estimated at £2 million. This assumes that no new agency staff would be recruited, and that the majority of existing agency staff are let go. As at 30 September 2020, there were 177 vacancies and 89 agency staff.[51] At the 10 December 2020 Budget and Performance Committee meeting, Sue

[48] *Ibid.*
[49] Budget and Performance Committee meeting minutes, 10 December 2020, p. 41
[50] *Ibid.*, pp.39-40.
[51] LFC, *Financial Position as at the end of September 2020*, 4 November 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 6

Budden, stated that the LFC did not intend to fill these vacancies as part of wider plans to reduce the overspend.[52] While the Committee welcomes the LFC's approach in driving efficiencies within the service, a reduction in agency workers and a significant number of vacant posts does raise questions around the effectiveness of the structures in place and staff capacity.

With the recruitment freeze and savings proposals factored in, the LFC still has a gap of £8.2 million in 2022-23. At the 10 December 2020 meeting, the Commissioner stated that the next London Safety Plan (LSP) would set out how these savings would be found. He went on to state that the LSP would aim to drive out efficiencies within the LFB and could potentially include an ask for additional resourcing to handle additional pressures on the Brigade.[53] In the same meeting, he stated that a timetable for the LSP was being worked up, with the process of planning beginning in the New Year and consultation running through the spring and early summer before being agreed by the Mayor in November. He stated that the Budget and Performance Committee would be consulted on the plan.[54]

Staff overtime

The LFC's budget for operational staff is forecast to have a substantial overspend of £6.8 million for 2020-21[55] – an increase of £1.8 million since the June financial position report.[56] This is partly due to additional costs to support the LAS as part of the COVID-19 response. The LFC is expecting to recover £3.5 million from the LAS for overtime and support. However, this still leaves a significant overspend of £3.3 million, primarily due to Pre-Arranged Overtime (PAO).[57]

As at 30 June 2020, the LFC's overtime costs were expected to be £4 million.[58] At the 22 September meeting of the Budget and Performance Committee, Sue Budden stated that the LFC was expecting to improve this forecast by the time of the following quarter's financial report.[59] The forecast has instead increased by £2 million.[60]

In the 10 December Budget and Performance Committee meeting, the Commissioner described PAO as "complex" and stated that it was a mix of meeting the needs of establishment and allowing the LFB to quickly backfill specialist staff who had either been adversely affected by

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[52] Budget and Performance Committee meeting minutes, 10 December 2020, p. 30
[53] *Ibid.*, p. 36
[54] *Ibid.*, p.52
[55] LFC, *Financial Position as at the end of September 2020*, 4 November 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 3
[56] LFC, *Financial Position as at the end of June 2020*, 29 July 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 2
[57] LFC, *Financial Position as at the end of September 2020*, 4 November 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 6
[58] LFC, *Financial Position as at the end of June 2020*, 29 July 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 2
[59] Budget and Performance Committee meeting minutes, 22 September 2020, p. 8
[60] LFC, *Financial Position as at the end of September 2020*, 4 November 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 6

COVID-19 or have had to self-isolate. He stated that the LFB had undertaken work to see where further reductions could be made on PAO use and spend.[61]

However, the Budget and Performance Committee has frequently noted the Brigade's history of overspend on overtime. This was, as Deputy Mayor Dr Fiona Twycross told the Committee on 10 December, previously masked by an underspend on operational staff. However, as the LFB is now at full establishment, due to recruitment and closing of vacancies, the Committee encourages the LFC to accelerate work on reducing spend on overtime.[62]

Recommendation 2: The LFB should provide a realistic plan, with timescales, on how overspend on overtime will be driven down in the Mayor's Final Draft 2021-22 Budget.

Reserves

The LFC continues to rely on the Budget Flexibility Reserve (BFR) to plug budget gaps. This is an unsustainable financial strategy, with current projections estimating that the BFR will be eliminated by 2022-23.[63]

In previous budgets, the LFB has built up its general reserves and BFR 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.[64] The critical issue here is not the use of reserves in itself, but the financial sustainability of a budget which 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 2021-22. 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.[65]

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

[61] Budget and Performance Committee meeting minutes, 10 December 2020, pp.30-31.
[62] *Ibid.*, p. 31
[63] LFB Budget Submission 2021-22, p. 70
[64] Budget and Performance Committee meeting minutes, 10 December 2020, p. 32.
[65] *Ibid.*, p. 37

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."[66]

At the 10 December Budget and Performance Committee, the Commissioner stated that he has discussed the LFB's approach to use reserves to "smooth out unexpected difficulties, i.e. COVID" with Lord Stephen Greenhalgh, the Minister of State for Fire. He said the Minister was "comfortable" with the approach.[67] At the same meeting, the Deputy Mayor Dr Fiona Twycross admitted that "the reserve is being depleted. You can only spend it once. There is a serious risk of the Brigade's budget gap growing in the future."[68]

Recommendation 3: The LFB needs to outline a plan for a sustainable long-term financial strategy that is less reliant on drawing down its reserves in the Mayor's Final Draft 2021-22 Budget.

GLA Group collaboration

The submission document refers to the GLA Group Collaboration Programme – a programme set up by the Mayor to ensure collaboration across the GLA Group. However, little reference is made to any material savings, with the document stating that the results of the work will be "included in the budget process as they are available on an ongoing basis."[69]

The budget submission does include estimates on energy savings (£280k in 2020-21, increasing to £326k in 2021-22) which will be achieved through a framework agreement with LASER (a subsidiary of Kent County Council). It also includes potential income of £1.4 million in 2022-23 from securing additional tenants for surplus accommodation at Union Street. This, the submission states, has been achieved with the support of the GLA Estates Group.[70]

At the 10 December Budget and Performance Committee meeting, the Commissioner stated that the LFC was doing more collaborative work but that this did not relate "directly into this particular budget submission at this point."[71]

[66] HMICFRS, Effectiveness, efficiency and people 2018/19-London Fire Brigade, December 2019, p. 26
[67] Budget and Performance Committee meeting minutes, 10 December 2020, pp.31-32.
[68] *Ibid.*, p. 37
[69] LFB Budget Submission 2021-22, p. 13
[70] *Ibid.*
[71] Budget and Performance Committee meeting minutes, 10 December 2020, p. 50

Recommendation 4: The aim of the GLA Collaboration Group is to "secure further tangible savings through greater collaboration across the GLA Group."[72] The LFC needs to outline any impact that GLA Group collaboration will have on the LFB's finances in 2021-22.

Spending Review

In its Quarter 1 financial report in June, the LFC included in its budget assumptions, a one-off grant of £21.7 million from the Government to cover firefighter pensions in 2021-22.[73] This was expected to be settled in the Spending Review, which was announced at a high level on 25 November 2020.[74] To date, it is not clear whether this support will be provided. The LFC's budget submission assumes this funding will be forthcoming.[75] At the 10 December Budget and Performance Committee meeting, Sue Budden confirmed that it seemed prudent to assume that this funding would be forthcoming.[76]

Recommendation 5: The Committee supports the LFB in its efforts to work with the Government to secure additional funding, however there is no guarantee additional resources will be provided. The LFB must create a contingency plan in case the Government does not provide funding for items such as the LFB's pension allocation for 2021-22. Thereafter, the Government and the LFB must agree a long-term pensions funding settlement.

Capital programme

The LFC's capital programme is heavily reliant on borrowing in 2020-21. The LFC's expenditure against the capital programme in 2020-21 will be partly funded through the use of capital receipts (£1.5 million) and third-party contributions (£0.6 million). The remaining budget requirements will need to be financed through borrowing (£29 million), with arrangements in place with GLA Group Treasury to borrow within the GLA Group before realising capital receipts. In 2021-22, borrowing will drop significantly to £6.8 million, on the assumption that £51 million in capital receipts will be realised, principally from the sale of the former headquarters building for the Brigade at 8 Albert Embankment. At the 10 December Budget

[72] Mayoral Decision 2496, *GLA Group Collaboration*, 15 July 2019, https://www.london.gov.uk/decisions/md2496-gla-group-collaboration
[73] LFC, *Financial Position as at the end of June 2020*, 29 July 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 7
[74] Gov.uk, *Spending Review 2020 documents*, 25 November, https://www.gov.uk/government/publications/spending-review-2020-documents
[75] LFB, Budget Submission 2021-22, p. 79
[76] Budget and Performance Committee meeting minutes, 10 December 2020, p. 52.

and Performance Committee meeting, Sue Budden, stated that there was still uncertainty around whether the building would be sold and whether the sale price would be affected by the economic impact of COVID-19.[77] The redevelopment of the property is subject to a planning application that has been called in by the Secretary of State[78].

Grenfell

Grenfell-related activity has become a significant aspect – both operationally and financially – of the LFB's work programme. In its Quarter 2 financial position update in September, the LFB reported that the budget was under pressure from a substantial increase in renewal premiums as a result of the claims experience on Grenfell. This sees the LFB's insurance related budgets projected to overspend by £501,000 in 2020-21.[79]

There has also been an overspend on the LFB's Hardware and Software budget due, in part to £321,000 spent on Grenfell Tower Investigation legal related software purchases.[80] Furthermore, a forecast overspend of £5.66 million on the Supplies and Services budgets has been largely driven by a £675,000 overspend on Professional Services mainly on Grenfell Tower Investigation legal costs. LFB has stated that this will be offset by income from insurers.[81]

Post-Grenfell transformation and built environment changes

The LFB's budget submission for 2021-22 refers to the LFB's Transformation Delivery Plan, with costs estimated to be £3.5 million in 2020-21 and an on-going cost of £4.1 million from 2021-22. A Transformation reserve has been established to support the £7.7 million costs in these first two years.[82]

The submission also refers to changes in the built environment and the role of the Brigade. The Fire Safety Bill (which has had its third reading in the House of Lords and will now be considered in the House of Commons)[83] will potentially require the Brigade to inspect and enforce fire safety in a wider range of buildings.[84]

At the 10 December 2020 Budget and Performance Committee meeting, the Commissioner stated that addressing the scale of risk and challenges around the built environment post-Grenfell has increased demand and pressure on the Brigade's resources. He stated that Phase 2 of the Grenfell inquiry had revealed "criminal negligence on a scale that was unimaginable previously in the building trade and aligned private inspection companies […] we are sitting on an issue here that is not fully yet understood in its scale in London. I am seeing increasing numbers of incidents where the fabric of a building is failing in ways that are unexpected."[85]

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[77] *Ibid.*, pp.54-55
[78] PBC Today 12 June 2020 8-albert-embankment
[79] LFC, *Financial Position as at the end of September 2020*, 4 November 2020, https://www.london-fire.gov.uk/about-us/our-decisions/, p. 5
[80] *Ibid.*, p.7
[81] *Ibid.*, p. 6
[82] LFB Budget Submission 2021-22, p. 11
[83] Houses of Parliament, *Fire Safety Bill 2019-21*, *https://services.parliament.uk/bills/2019-21/firesafety.html*
[84] LFB Budget Submission 2021-22, p. 10
[85] Budget and Performance Committee meeting minutes, 10 December 2020, pp. 32-33.

He also stated that the Ministry of Housing, Communities & Local Government's latest estimates indicated that there were now 62,000 high risk buildings in London, and that issues now went beyond cladding and included generally poor construction and inspection. At the start of the pandemic, there were 160-200 waking watches buildings, and this is now at 600 and rising.[86]

The risk is continually emerging, and the Commissioner stated that it was difficult to quantify. These risks, he stated, would require a greater number of skilled professionals to take on high risk premises and raised questions around how resources were configured in the next LSP to ensure the Brigade was addressing the risks.[87]

The LFC's submission states that these additional pressures will need to be addressed by the Government as part of a future Spending Review.[88] When asked by this Committee what contingency plans the LFC had if Government financial support for the increased number of inspections proved to be insufficient, Sue Budden stated that the issue was "largely how we use our staff rather than needing additional money."[89] Earlier in the meeting, the Commissioner had stated that the LFB would "need to maintain the size of workforce we have in that context" and that while the LSP would drive out efficiencies, there could "potentially [be] an ask around resources."[90]

Recommendation 6: The LFB should outline in the Mayor's Final Draft 2021-22 Budget how it has sufficient resources to fund the delivery of its transformation.

Recommendation 7: The LFB should clarify what the tangible benefits the £7.7 million spend on the transformation programme will have for Londoners.

[86] *Ibid.*
[87] *Ibid.*
[88] LFB Budget Submission 2021-22, p. 10
[89] Budget and Performance Committee meeting minutes, 10 December 2020, p. 56.
[90] *Ibid.*, p. 36

Chapter five – GLA Core

Recommendation 1

The Mayor should clarify how the GLA:Mayor budget will meet its savings target for 2021-22, including details of where those savings will come from and what their impact will be in his 2021-22 Final Draft Budget.

Recommendation 2

The Mayor should issue a corporately verified assessment of the extent to which Mayoral commitments and GLA initiatives have been delivered in full and on time during this Mayoral term prior to the 2021 GLA pre-election period commencing.

Development of a GLA:Mayor budget for 2021-22

This Committee considered the draft GLA:Mayor budget submission for 2021-22 at its 24 November 2020 meeting and raised strong concerns in its response (a letter to the Mayor's Chief of Staff dated 9 December 2020, Appendix 2; along with the Mayor's Chief of Staff's response dated 4 January 2021, Appendix 3) at the lack of evidence of progress in developing a GLA:Mayor budget for 2021-22. The Consultation Budget shows no evidence of progress made in the period since that meeting.

COVID-19 has created an uncertain budget situation, particularly with Council Tax and Business Rates income. However, the GLA:Mayor budget that has been presented to the London Assembly has insufficient evidence of development, compared with the other budgets presented in the Consultation Budget and with the progress made by this stage over the last 20 years with the GLA:Mayor budget.

In addition to lack of detail around savings, the absence of a subjective analysis for the GLA:Mayor budget – which would track trends in costs as set out by category of spend such as staff, supplies and services, premises etc – appears to be a particularly significant omission. A subjective analysis has been supplied by all other parts of the GLA Group.

Only indicative figures have been included in the Mayor's 2021-22 Consultation Budget, this includes a forecast of £38.9 million of savings and efficiencies "identified" for the budget in 2021-22, which have in fact yet to be agreed and communicated.[91]

The Committee does not doubt that there has been work undertaken but is concerned that it has not received the detailed GLA:Mayor budget plans at this stage with the savings fully incorporated and has been informed that it shall not receive them until March 2021 after the

[91] Appendix G on page 86 of the Consultation Budget

budget setting process is over. This significantly limits the Assembly's ability to scrutinise the GLA:Mayor budget. For this reason, it is key that the impact of the required savings is reflected in the next iteration of the Mayor's GLA Group Budget.

The Mayor's Chief of Staff's letter of 4 January 2021 states at paragraph 1[iii]
'Your comment that this new approach "could easily become a paper exercise without any obvious benefit to Londoners" misunderstands the depth of the commitment made and the work that has been undertaken. Our approach to re-focus our programmes and staffing resources to support London's recovery represents a major departure in how the GLA is organised concentrating on the outcomes that are to be delivered from the Missions.'

The concern with this statement is that limited evidence has been presented to demonstrate "the depth of the commitment and the work that has been undertaken." Similarly, it may well be the case the "approach to re-focus [our] programmes and staffing resources… represents a major departure" but again there is very little evidence presented through the budget setting process thus far to support that argument.

Of even greater concern is the Mayor's Chief of Staff's statement at the Committee's 5 January 2021 meeting that the detail of the GLA:Mayor budget savings for 2021-22 will not be available until the week commencing 8 March 2021 at the earliest.

The financial climate is challenging, but the fact that the details of a component budget will not be made available until that budget has been set is a limitation on this Committee's ability to scrutinise the Mayor's budget proposals. This would mark a breach with the last 20 years of practice for the GLA budget and would be out of step with the approach being taken for the functional bodies' budgets for 2021-22.

There is a danger in this approach that the Assembly's statutory role in the budget setting process is being undermined. Schedule 6 of the GLA Act sets out the Assembly's duty to consider the statutory calculations required by section 85. The statutory calculations include estimates of expenditure, income, use of reserves and use of contingency funds.

The calculations for the GLA:Mayor budget must be based on something concrete. It is therefore unavoidable that the Final Draft Budget, which is to be issued in February 2021, must provide some indication of the priorities being set and the savings being made and the rationale underlying those decisions.

On the question of timing, all other precepting authorities have to set their budgets (which will be detailed) and issue their precepts by 1 March and will also have to manage the uncertainty around income. The GLA should have a very good estimate from boroughs of likely income levels for 2021-22 by early February 2021.

It therefore seems entirely possible for full details of the GLA:Mayor budget to be included in the Final Draft Budget, particularly details of savings and their expected impact on GLA:Mayor functions. As in previous years, it will inevitably be the case that there will be various updates made to the GLA:Mayor budget in March (as is the case with the functional bodies) but that in no way prevents a full analysis being made available in February.

It is not yet clear where the required savings are coming from, but in the absence of any plan to reduce staffing numbers, it would seem reasonable to assume that the savings will predominantly arise from programme reductions. If this were to be the approach taken, then it in turn gives rise to whether the level of GLA staff employed to administer those programme budgets will require reconsideration.

The Mayor's Chief of Staff wrote to the Chair of the GLA Oversight Committee on 7 August and stated that: *"I want to repeat what I said at the meeting that anyone who states there will be no redundancies arising from the reductions to the GLA:Mayor budget is wrong."*

However, the Chief Officer appeared to row back from that position at the Committee's meeting on 24 November, when she stated that, while the staffing plans had yet to be worked through, staff would be redeployed rather than made redundant. The Committee will be monitoring these movements to ensure that these redeployments and alterations to programme budgets provide value for money and deliver for Londoners.

It is noticeable from the Mayor's 2021-22 Consultation Budget that the approach taken for the GLA:Mayor budget differs from that for the functional bodies in the sense that far greater emphasis is placed on the London Recovery Board's Missions in the GLA:Mayor budget presentation than in the functional bodies' budgets.

The GLA:Mayor deliverables are directly related to the Missions and lack detail, and extend well beyond the financial planning horizon of March 2023 set out in this budget document.[92] Of the nine deliverables, six have a 2025 delivery date assigned to them, one has 2024, one has 2030 and one is without a date. It is unclear how performance can be assessed in 2021-22 given the lack of detail around delivery in the budget year.

Recommendation 1: The Mayor should clarify how the GLA:Mayor budget will meet its savings target for 2021-22, including details of where those savings will come from and what their impact will be in his 2021-22 Final Draft Budget.

Assessment of GLA:Mayor performance during this Mayoral term

At the beginning of this Mayoral administration in 2016, there was a review of internal approval mechanisms for significant items of expenditure. The principal outcome of that review was that the Investment and Performance Board (IPB) became the Corporate Investment Board (CIB)

[92] Paragraph 2.3 on page 17 of the 2021-22 Mayor's Consultation Budget

and the process whereby IPB first considered the outline business cases for major projects – prior to a draft Mayoral decision being considered at a later meeting – was discontinued.

There were some other related changes to corporate practice at that time:

- The GLA's Business Plan was discontinued;
- GLA performance monitoring moved to a more outcome focused approach (as opposed to milestones or outputs); and
- The document tracking progress on delivering Mayoral commitments, which had previously been reported in public to IPB, was discontinued.

More recently, the content of the most recent Mayor's Annual Report (for 2019-20) reflected a reduced approach and the Annual Report contained the minimum required to meet the Mayor's statutory duty. The Committee appreciates the constraints that the COVID-19 pandemic has placed on all activities and requests that the 2020-21 report goes back to the previous format.

As this is the fifth and final GLA:Mayor budget of this Mayoral term, it is reasonable for Londoners and this Committee to want to know how the Mayor has utilised the funds placed at his disposal to the benefit of the city. It is not immediately apparent how that can be done, either in terms of the timely and effective delivery of Mayoral commitments or of GLA initiatives.

The current outcome-based performance monitoring does not lend itself to tracking specific programmes and has such a broad scope, involving multiple stakeholders, that it is difficult to assess where there have been delays or other problems on the GLA side. It is not clear how the nine GLA:Mayor deliverables arising from the London Recovery Board's Missions will fit into the GLA's performance management regime[93].

The Mayor was receptive to taking onboard the concerns of the Committee stating on 5 January that "can I also suggest that if you have any ideas I mean this sincerely in relation to improvements, we are more than happy to listen, particularly with the challenge of the recovery and the missions. If you have any ideas in relation to how we can improve in providing that information, genuinely I am all ears." The Committee will be taking up the Mayor's offer.

Recommendation 2: The Mayor should issue a corporately verified assessment of the extent to which Mayoral commitments and GLA initiatives have been delivered in full and on time during this Mayoral term prior to the 2021 GLA pre-election period commencing.

[93] Paragraph 2.3 on page 17 of the 2021-22 Mayor's Consultation Budget

Chapter six – London Legacy Development Corporation

Recommendation 1

The LLDC must make demonstrable progress towards securing a naming rights deal for the London Stadium in 2021-22.

Recommendation 2

The LLDC's borrowing must be limited to a level that it is realistically capable of repaying.

Recommendation 3

The LLDC must regain control of the East Bank costs.

Recommendation 4

The LLDC must carefully review the level of capital receipts to ensure that they are realistic and identify any further funding needs.

Recommendation 5

The LLDC must publish its transition plan.

Introduction

The LLDC was established in 2012 to manage the physical legacy of the 2012 Olympic Games.[94] 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'.[95] Along with managing Olympic Park venues, the LLDC is responsible for developing the Park as a community where people work and live. By 2030, the LLDC plans to deliver 10,000 new homes and five new neighbourhoods in the Park.[96]

Under current funding arrangements, the GLA puts upfront investment into the LLDC. The LLDC expects that by the mid-2030s the organisation will be generating an annual return of around £200 million in Business Rates and Council Tax as a result of the regenerative impacts that the Corporation is making in the Park.

[94] Secretary of State for Communities and Local Government, The London Legacy Development Corporation (Establishment) Order 2012
[95] LLDC Vision
[96] The new neighbourhoods are Chobham Manor, East Wick & Sweetwater, Stratford Waterfront, Pudding Mill and Rick Roberts Way

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 legacy organisation.

The LLDC has confirmed it is on track to deliver in-year savings of £7.4 million in 2020-21 million as well as £2.1 million in savings in the 2021-22 Budget to address the impact of COVID-19 on the GLA's finances. However, the LLDC has also forecast a £4.3 million gap in its revenue budget from 2022-23.[97]

London Stadium

The LLDC is probably most famous for owning the London Stadium, which is home to the Premier League team, West Ham United. The Stadium, which is brand-new, at best will cost Londoners between £8 million and £10 million every year. That is provided West Ham United remains in the top football league in the UK. If West Ham United is relegated to the Championship, this cost will increase by a further £1.5 million per year.

The London Stadium, which on its own constitutes 25 per cent of total annual revenue expenditure, continues to be a significant loss-maker for the LLDC. It lost £29 million in 2019-20 alone. Despite steps to reduce operating costs, the LLDC predicts that, at best, it can reduce the loss to £8-£10 million annually. Thus far, limited progress has been made to find alternative sources of income to compensate for operating costs. This is highlighted by the lack of progress over naming rights for the stadium, which could be generating millions every year.

As the Moore Stephens Olympic Stadium Review makes clear, in 2013 the LLDC 'entered into an arrangement with West Ham United which, when implemented, generated substantial losses (with no present prospect of significant improvement in the future)'.[98] This was starkly highlighted by the fact that most of the in-year savings delivered by the LLDC have come from reduced stadium activity; it *saves* the LLDC money when it's not running events.

> **Recommendation 1**: The LLDC must make demonstrable progress towards securing a naming rights deal for the London Stadium in 2021-22.

2021-22 budget submission

The combined capital budget for 2023-24 includes an £88.9 million increase in the GLA grant, largely to address COVID-19 pressures on the East Bank and other development projects[99], as well as an additional £37.7 million capital grant for the years 2023-24 to 2025-26. These

[97] LLDC 2021-22 Budget Submission, page 30
[98] Moore Stephens Olympic Stadium Review olympic-stadium-review.pdf
[99] MD2695 - 17 September 2020; this allocation is also intended to ensure LLDC remain within its existing borrowing limit of £520 million (See LLDC 2021-22 Budget Submission, page 5)

additional contributions are intended to keep the LLDC within its £520 million borrowing limit set by the GLA. Following discussions with the GLA, the LLDC has agreed to instead show this additional requirement as loan funding with a commitment by the GLA to review the LLDC's borrowing limits over the coming years (these would need to be increased to £550m and £560m in 2023-24 and 2024-25, respectively).

Recommendation 2: LLDC's borrowing must be limited to a level that it is realistically capable of repaying.

Cost of East Bank project has more than doubled since it was first announced
The East Bank is the LLDC's flagship regeneration scheme, which aims to deliver 'one of the world's largest and most ambitious cultural and education districts' across three sites in the Park. Its ambition is to provide skills and jobs for local people, attract visitors from around the world, bring more than 10,000 students to the site, deliver 2,500 jobs and generate a £1.5 billion boost to London's economy.

The cost of developing the East Bank has increased significantly since it was initially announced. On 5 June 2018, the Mayor announced he was committing £385 million to the East Bank development.[100] At the Budget and Performance Committee meeting on 8 December 2020, the LLDC reported that, assuming no further COVID-19 impacts on construction timeframes, the total anticipated final cost of the project (i.e. the gross cost) is now £628 million.[101] This is a 63 per cent increase on the original figure provided by the Mayor in 2018.

The LLDC has also clarified that only around 50 per cent of this increase is due to COVID-19 costs. Costs were already escalating prior to the pandemic, with unplanned growth in tender prices and design issues contributing substantially to cost pressures.[102] When asked about the increase at the Budget and Performance Committee meeting on 5 January the Mayor and his Chief of Staff admitted that they did not recognise the numbers and suggested that the figures may not be on the same basis and that the true increase may only be £114 million.

Recommendation 3: The LLDC must regain control of the East Bank costs

Impact of COVID-19 on profitability of LLDC housing developments
One of the LLDC's main priorities is the development of new, well-designed, sustainable and accessible neighbourhoods. To achieve this, the LLDC has committed to enabling the delivery

[100] Press Release – Mayor unveils £1.1bn vision for East Bank – 05 June 2018
[101] Budget and Performance Committee Meeting, 8 December 2020, Minutes, page 8
[102] Budget and Performance Committee Meeting, 8 December 2020, Minutes, page 8

of 33,000 new homes by 2036 through the Local Plan.[103] To date 10,109 homes (30 per cent of the target) have been completed across two of five new Park neighbourhoods: Chobham Manor and East Wick.[104] The LLDC is seeking to commit to the next stages of development and looking for a joint venture partner who will support LLDC housing delivery objectives and share market risk and return.[105]

Capital income from housing development sites is an important factor in achieving financial sustainability for the project. London real estate prices are in flux as the market adjusts to the pandemic and the Stamp Duty holiday instigated by the Chancellor. In September, the Centre for Economics and Business Research forecast that UK house prices may drop as much as 13.8 per cent from 2020 to 2021.[106] The Mayor recently echoed these concerns, suggesting London may be facing an 'existential threat' from the changes to working life caused by the pandemic, and the possible shift out to the suburbs. [107]

The LLDC's 2021-22 Budget Submission included updated house price inflation assumptions based on an average of third-party London-wide forecasts,[108] that saw an overall decrease in forecast capital receipts of £49.6 million compared to its projections at the last Budget.[109] The LLDC confirmed at the Budget and Performance Committee meeting on 8 December 2020 that it has had to increase its borrowing to make up for what it termed 'a reduction in short-term house price inflation.'[110] However, the LLDC also confirmed it assumes 'future house price inflation being more positive'.[111]

Along with slow house price inflation, risks may be emerging around a disproportionate impact on demand for shared ownership homes. The LLDC has concerns that the economic conditions brought on by the pandemic may depress demand for the 'shared ownership' model. Given that in 2019, 35 per cent of the LLDC's planning permissions were for intermediate (or 'shared ownership') homes, this could have a significant impact on profitability.[112]

Recommendation 4: The LLDC must carefully review the level of capital receipts to ensure that they are realistic and identify any further funding needs.

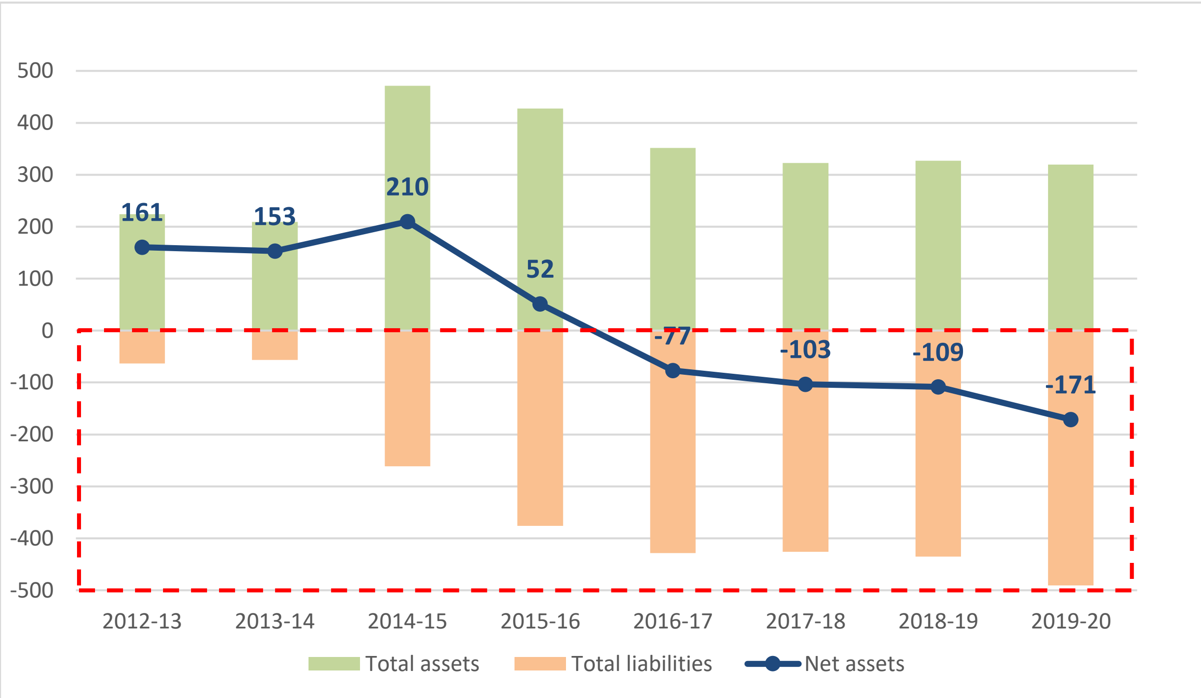
[103] Annual Report 2019-20, page 5
[104] Planning Authority Monitoring Report (2019 – 31 March 2020)
[105] Letter from LLDC to Susan Hall AM, Chair of the Budget and Performance Committee, 30 November 2020
[106] CEBR, Report, September 14 2020
[107] The Guardian, Sadiq Khan: 'There is potentially an existential threat to central London' 22 November 2020
[108] Letter from LLDC to Susan Hall AM, Chair of the Budget and Performance Committee, 30 November 2020
[109] LLDC 2021-22 Budget Submission, page 14; this figure represents the total forecast change over the entire project (includes the '2025/6 and Onwards' plan).
[110] Budget and Performance Committee Meeting, 8 December 2020, Minutes, page 6, page 14; The LLDC has revised house price inflation down to minus 6.5 per cent in 2020 and 3.5 per cent in 2021, down from an early assumption of 1 per cent and 3 per cent respectively
[111] Budget and Performance Committee Meeting, 8 December 2020, Minutes, page 8, page 14
[112] *Planning Authority Monitoring Report (2019 – 31 March 2020)*, Table 13 on page 47, Table 14 on page 48

The LLDC's decreasing value

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 2019-20 the value of the LLDC fell by £381 million: over this period the value of the organisation changed from a positive £210 million position to a negative £171 million position, with a 57 per cent increase in net liabilities of £63 million in the last financial year.

Figure 6: Increasing LLDC net liabilities over time (£m)



Source: *LLDC Annual Reports, 2012-13 to 2019-20.*

This position is very likely to worsen over coming years. Even in the best-case scenario, the Stadium is set to lose £8 to £10 million annually. East Bank costs were escalating before the pandemic and are only set to further increase, largely in response to construction delays. The East Bank value proposition relies heavily on the viability and growth prospects of arts and cultural institutions. Through no fault of the LLDC, the business cases of such institutions are riskier in the post-pandemic world. Moreover, projected capital receipts from housing developments may not be realised, especially in light of the pandemic's impact on the housing market. Finally, achieving the 50 per cent affordable home target on new sites will require substantial subsidy. Ultimately the LLDC is becoming an increasingly risky venture for Londoners.

Recommendation 5: The LLDC must publish its transition plan.

Chapter seven – Old Oak and Park Royal Development Corp

Recommendation 1

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 its 2021-22 Budget.

Recommendation 2

The OPDC must develop and publish an infrastructure plan for development of the 'Western Lands' to identify its funding requirement in its 2021-22 Budget.

Recommendation 3

The OPDC must learn the lessons from its failure to secure funding from its HIF bid and apply these to a bid for funding from the National Home Building Fund.

Recommendation 4

The OPDC must publish a timetable to develop a new credible and sustainable plan with a clearer focus in the short to medium term on Park Royal. The plan should accompany its Final Draft 2021-22 Budget and set out what it can realistically achieve and when.

Recommendation 5

In June 2016 the Mayor of London commissioned the GLA to undertake a review of the strategic direction and work programme of the OPDC. Given recent events, the Mayor should talk to the boroughs involved and consider a review examining if the OPDC should continue in its current form.

Introduction

The Old Oak and Park Royal Development Corporation (OPDC) is the Local Planning Authority and regeneration agency for a large site in north west London. Its aim is to capitalise on the HS2 and Crossrail investments in the area to create a 'whole new centre and community for West London.'[113]

In December 2019, the OPDC announced it was abandoning the plans it had been developing for the previous four years for Old Oak North (OON)—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'.[114] It will now be focusing on developing key sites to the west, north west and south

[113] Introduction to the Old Oak and Park Royal Development Corporation.
[114] Mayor's 2020-21 Budget

west of the new HS2/Elizabeth line/GWR interchange at Old Oak Common for residential and mixed use.[115] The new plan includes 'a combination of several early win/opportunity sites, and the medium to longer-term release of major rail sites.'[116]

The OPDC has claimed that the new approach 'has a number of major advantages over the previous focus on [Old Oak North]'. These, it says, 'include a more natural connectivity with the main station access point and associated concourse and public realm; taking advantage of a number of major sites that are in public ownership via HS2/Department for Transport and Network Rail … ; and an existing level of infrastructure and connectivity that is much better than OON.'[117]

Despite the change of direction and the different layout of the area, the OPDC's target for new homes and jobs remains unaltered from the original plans. In an October update to the OPDC Board, a Local Plan update confirmed that the new strategy 'has the potential to support delivery of over 20,000 homes, up to 60,000 jobs over the course of our Local Plan period.'[118]

The OPDC has been at pains to emphasise to the Committee that developing the new site will be 'a very difficult project', indeed the 'most difficult, challenging project [David Lunts, OPDC's now permanent Chief Executive Officer] can recall'[119]

Land acquisition

With no land holdings of its own, and the recent failure to acquire land from Cargiant, acquiring land that can be viably developed is a priority for the OPDC. 60 per cent of the planned homes are on sites that are currently designated Strategic Industrial Land (SIL). This land is in high demand and therefore expensive to re-zone for residential and mixed-use development. To achieve this, the OPDC will have to promote industrial intensification of land in OON so as to protect overall industrial and employment capacity in line with London Plan policies. The OPDC has proposed that it will achieve this via a 'multi-level intensification' strategy.[120]

Securing the land, much of which is owned by the Department for Transport, Network Rail and HS2 is likely to be a challenge. There have been ongoing setbacks to the negotiations for the acquisition of the Network Rail land attributed to engineering issues and a lack of detailed plans from the OPDC.[121] Much of the Network Rail land will not be available for development for 'a number of years' due to its association with HS2 worksite activities.[122] In 2016, the OPDC signed a Memorandum of Understanding with the Department for Transport around the use of its land holdings, but as the OPDC has never secured the budget to acquire the land, this agreement is in principle only. Landowner engagement and stakeholder discussion was scheduled to be completed by December 2020.

[115] Western Lands and Local Plan Modifications Update, 13 October 2020, page 2
[116] Western Lands and Local Plan Modifications Update, 13 October 2020, page 3
[117] Western Lands and Local Plan Modifications Update, 13 October 2020, page 3
[118] Western Lands and Local Plan Modifications Update, 13 October 2020, page 1
[119] Budget and Performance Committee Meeting 14 October 2020, minutes, page 41, page 26
[120] Presentation to OPDC Board, 13 October 2020, page 5
[121] Budget and Performance Committee - 11 June 2019
[122] Budget and Performance Committee Meeting, Monday 6 January 2020

Recommendation 1: 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 its 2021-22 Budget.

The capital funding for infrastructure development of the site

On 14 October 2020, the OPDC conceded that the ultimate cost of infrastructure development of the Western Lands was likely to be "in the hundreds of millions," although it could not give a precise figure.[123] The original OON plans were valued at £1.5 billion in a Development Infrastructure Funding Study in 2015. [124]

The OPDC has not yet secured any of the necessary capital funding, although it intends to submit a bid to the National Home Building Fund (formerly the Single Housing Infrastructure Fund).[125] In an October update to the Board, the OPDC confirmed it is now 'well placed to begin work on a bid to [National Home Building Fund] … for funding and investment support for [the] Western Lands strategy' and has requested internal approval for expenditure to support the necessary technical work.[126]

However, any funding from central Government is likely to be highly competitive. In the post-pandemic era and with pledges around the 'levelling-up agenda', the Government may focus funding on projects in the north of England. The OPDC's previous HIF bid was withdrawn after the Planning Inspector found the plans for land allocation were unviable. While the OPDC has hopefully learnt from its failed HIF bid, it must demonstrate that it is able to assemble the necessary wide-ranging stakeholder support and evidence of viability which will be necessary to win the National Home Building Fund.

Recommendation 2: The OPDC must develop and publish an infrastructure plan for development of the 'Western Lands' to identify its funding requirement in its 2021-22 Budget.

[123] Budget and Performance Committee Meeting 14 October 2020, minutes, page 46
[124] OPDC's Development Infrastructure Funding Study (2015)
[125] Announced in the 2020 Budget, the SHIF is a new long-term fund to unlock new homes in areas of high demand across the country by funding the provision of strategic infrastructure and assembling land for development, HM Treasury, Budget 2020, March 2020, HC 121, page 80
[126] Western Lands and Local Plan Modifications Update, 13 October 2020, page 4

Recommendation 3: The OPDC must learn the lessons from its failure to secure funding from its HIF bid and apply these to a bid for funding from the National Home Building Fund.

The OPDC Local Plan

Finally, the OPDC cannot further progress its plans for the Western Lands without an approved Local Plan. Significant sections of the draft Local Plan were rejected by the Planning Inspector in his interim findings in September 2019, in which the OPDC's plans for allocation of land at OON were found unviable due to rising industrial land values,[127] and the OPDC was directed to reduce the homes and jobs targets by 30 per cent and 7 per cent respectively. [128]

The OPDC's Local Plan will need significant revision in order to be accepted by the Planning Inspector. A significant amount of work is required to meet its own self-imposed March 2021 deadline, including reaching land acquisition agreements with a range of key landowners on the development sites, and any sites required for infrastructure development, as well as securing a significant amount of infrastructure capital. [129]

Recommendation 4: The OPDC needs to publish a timetable to develop a new credible and sustainable plan with a clearer focus in the short to medium term on Park Royal. The plan should accompany its Final Draft 2021-22 Budget and set out what it can realistically achieve and when.

Recommendation 5: In June 2016 the Mayor of London commissioned the GLA to undertake a review of the strategic direction and work programme of the OPDC. Given recent events, the Mayor should talk to the boroughs involved and consider a review examining if the OPDC should continue in its current form.

[127] Western Lands and Local Plan Modifications Update, 13 October 2020, page 2
[128] OPDC Local Plan Examination 2019, Interim Findings on viability of Cargiant site proposal
[129] Local Plan Examination Process, London.gov.uk , Western Lands and Local Plan Modifications Update, 13 October 2020, page 12

Appendix 1

The Mayor's 2021-22 Consultation Budget

Total gross revenue and capital expenditure	Forecast Outturn 2020-21 £m	Budget 2021-22 £m	Change £m	Change %
Revenue:				
GLA: Mayor	1,687.1	1,669.1	-18.0	-1%
GLA: Assembly	7.7	7.0	-0.7	-9%
MOPAC	3,866.8	4,009.0	142.2	4%
LFC	492.9	489.3	-3.6	-1%
TfL	7,111.2	7,525.8	414.6	6%
LLDC	56.8	58.8	2.0	4%
OPDC	6.2	6.5	0.3	5%
Total revenue	**13,228.7**	**13,765.5**	**536.8**	**4%**
Capital:				
GLA: Mayor	1,684.4	2,145.7	461.3	27%
GLA: Assembly	0.0	0.0	0.0	n/a
MOPAC	333.9	385.1	51.2	15%
LFC	32.8	57.6	24.8	76%
TfL	2,080.1	2,821.5	741.4	36%
LLDC	171.5	227.4	55.9	33%
OPDC	0.0	0.0	0.0	n/a
Total capital	**4,302.7**	**5,637.3**	**1,334.6**	**31%**
Grand total revenue and capital	**17,531.4**	**19,402.8**	**1,871.4**	**11%**

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Appendix 2

Letter from Susan Hall to David Bellamy 9 December 2020

LONDONASSEMBLY

City Hall
The Queen's Walk
More London
London SE1 2AA
Tel: 020 7983 4000
www.london.gov.uk

Susan Hall AM
Chairman of the Budget and Performance Committee

David Bellamy
Mayor's Chief of Staff
(Sent by email)

9 December 2020

Dear David,

On behalf of the Committee, may I record my thanks to you and your senior colleagues for taking the time to attend the Committee's meeting on 24 November and answer Members' questions.

We appreciate the scale of the challenge you face in making savings of £38 million from the GLA:Mayor budget and can see that a large amount of work has already gone into thinking through how expenditure within the GLA:Mayor budget fits strategically with London's recovery plans for COVID-19. In that context, the Committee offers the following points as its response to the GLA:Mayor budget submission for 2021-22:

1. Setting out the GLA:Mayor budget according to the nine Missions agreed by the London Recovery Board clearly has its benefits and it represents a public statement of London's commitment to prioritising its recovery from COVID-19. We would question, though, whether:
(i) The entirety of the GLA:Mayor budget needs to be handled in this way. We imagine that policy functions, which already have well defined programmes and operate within certain existing and well known parameters offering little opportunity for flexibility, do not fit easily with the approach being taken. Furthermore, it is not clear to us at this stage as to how resources will be prioritised between Missions, noting that Missions will inevitably have different levels of resourcing and that the degree of flexibility available within a shrinking budget will naturally be severely limited.
(ii) The approach taken should be time limited and labelled as such.

(iii) There must surely be a danger that it becomes an exercise in recategorising and redescribing a series of items of expenditure which would have happened in the same way and to the same level regardless of the nature of their classification within the nine Missions. We know that this is not your intention but it could easily become a paper exercise without any obvious benefit to Londoners.

2. We note with interests the comments the Chief Officer made about how redesigning the budget according to Missions has brought about improvements to working practices between GLA teams. That is welcome and laudable. However, it needs to be seen in the light of the following questions:
(i) Have the inputs - which predominantly comprise senior GLA staff time and are therefore costly - justified the outputs or outcomes from this exercise?
(ii) Anecdotal reflections are fine as far as they go but what evidence is there of improved working across teams?
(iii) What actual benefits have arisen for Londoners as a result of the missions approach? What is being delivered in concrete terms which would not otherwise be delivered?

3. Now that we have had a chance to look at the submissions from the GLA's functional bodies, it would seem that the functional bodies have not adopted the same recovery centred approach to their budgets which the GLA has. We appreciate that the role of the bodies vary - particularly in terms of the blue light services - and would not expect every approach to be the same but it nonetheless appears odd that TfL or the MDCs, for example, have not amended their budget presentations in the same way as the GLA has. It will be interesting to see the extent to which the London boroughs follow the GLA's lead in this matter.

4. On the details of the savings, it was noted that the corporate savings appear to be mainly tentative at this stage and disappointing that the directorate savings remain completely outstanding. The Committee would like to find a way forward which would allow us to see the detail of the GLA:Mayor budget for scrutiny purposes; which has not been possible via the GLA:Mayor budget submission this year. I ask that you write to me at the first available opportunity - and within a week of receiving this letter - to set out:
(i) When you intend to share the full GLA:Mayor budget, noting that the various iterations of the Group budget in December, January and February are insufficiently detailed in this respect.
(ii) How you intend to identify those programme areas earmarked for savings and the expected impact of those savings (for example, on events).
(iii) How you intend to identify the staffing impacts as part of a worked through HR strategy for the whole organisation outside of the Assembly Secretariat.

5.. The Committee is concerned that the lack of detailed savings proposals means the Assembly cannot currently undertake year-on-year comparisons across directorates. We appreciate Appendix B has been provided to allay these concerns – though the figures provided are indicative and savings have only been provided on a pro-rata basis. We further accept that uncertainty over business rates and council income makes it challenging to provide concrete savings proposals. However, the Committee needs to see further details on programme level savings so that the Assembly can provide the requisite level of scrutiny to the budget process. We trust that this will be corrected in due course as part of sharing a full GLA:Mayor budget under 4(i) above.

I would be grateful if you could provide this information by **Friday 18 December**, with the exception of item 4, which we would like to see sooner. I look forward to your response. Please copy Laura Pelling, Principal Committee Manager, into your response via the following email address: Laura.pelling@london.gov.uk.

Yours,

Susan Hall AM
Chairman of the Budget and Performance Committee

Appendix 3

Letter from David Bellamy to Susan Hall 4 January 2021

MAYOR OF LONDON

Susan Hall AM
Chairman of the Budget and Performance Committee
City Hall
London
SE1 2AA

Our ref:

Date: 4th January 2021

Dear Susan,

Thank you for your letter of 9 December following the Budget and Performance Committee's meeting on 24 November. I set out replies under the numbering used in your letter.

1(i). Given its huge impact on Londoners, the pandemic has barely left any aspect of the GLA's work unaffected. The scale of the impacts, including the anticipated loss in funding, are such that we need to maximise the resources applied to London's recovery and challenge all expenditure that does not clearly do this.

The Executive Director of Resources replied to you letter of 7 December to him on 9 December in some detail about how the budget process is changing to support London's recovery. Clearly there are core GLA functions that principally support other services which help promote the recovery. However, it is right that such functions recognise and adapt what they do to this overriding objective. As you rightly point, resources to support Missions are scarce and the GLA's discretion is limited by hypothecated funding. Final decisions on the allocation of resources between Missions, Foundations and Core functions will not be made until billing authorities returns are received and analysed in February.

1(ii). As you will be well aware, London's recovery from the pandemic is not anticipated to be quick or easy. There are many medium-term and long-term issues that will need to addressed. Clearly the exact recovery framework will evolve over time and will remain flexible to respond to events, including the priorities of the administration elected in May. Clearly it will not last forever, however it is not possible to put a time frame on it at this juncture.

1(iii). Your comment that this new approach "could easily become a paper exercise without any obvious benefit to Londoners" misunderstands the depth of the commitment made and the work that has been undertaken. Our approach to re-focus our programmes and staffing resources to support London's recovery represents a major departure in how the GLA is organised concentrating on the outcomes that are to be delivered from the Missions.

2(i). I believe the input of senior GLA staff time will justify the outputs and outcomes that are planned to be achieved. It needs to be recognised that the scale of anticipated savings required in the GLA: Mayor budget means that a significant investment of senior staff time was necessary, regardless of how the budget was presented.

2(ii). The missions-based approach is driving increased integration and learning across teams and programmes within the GLA, and is supporting the development of a number of new initiatives of benefit to Londoners. These include the extension of the Culture at Risk model to community infrastructure, work across the GLA's environment and education and skills units on proposals for a green skills academy, and the integration of community and environmental objectives in the Mayor's Grow Back Greener Fund.

2(iii). The mission-based London Covid-19 Recovery Programme is focused how the capital can bounce back over the medium- to long-term from the scarring caused by the pandemic. However, the close collaboration that it has fostered both across the GLA and between the GLA and boroughs has also supported the delivery of projects to address more immediate priorities. This includes the collaborative work on licensing and enforcement to support business and hospitality reopening in the summer, the provision of new emergency funding for community groups, small businesses and cultural venues, including through the London Community Response Fund and other schemes such as the Mayor's Back to Business and Culture at Risk Funds, and the development with London's Boroughs and business community of a clear roadmap to the reopening of London's economy.

3. The Mayor's Group Budget Consultation Document was published on 16 December. You will see that each functional body has addressed the issue of how their budget supports London's recovery. The extent to which each functional body can and should revise their approach depends on the relevance of their operations to London's Recovery Missions which of course varies. The Recovery Programme is working with 'anchor institutions' – major London public sector organisations, including the larger functional bodies – on how they can corporately contribute to the realisation of the Missions.

4(i). The Committee will appreciate that we are bound by the statutory GLA Group budget process, including in particular the returns from the billing authorities that determine Group income levels. This means that the level of income the GLA: Mayor budget is based on will not be known, even privately, until w/c 8 February.

This will be published on 17 February as part of the GLA Group Final Draft Budget. Of course, it will only become final following any Assembly votes on council tax allocations on 25 February, and the subsequent Mayoral decision confirming the business rates allocations and capital spending plan.

It is then intended to finalise the GLA: Mayor budget in w/c 1 March, and submit it to the Mayor for consideration following the Corporate Investment Board meeting on 8 March. We would intend to publish as quickly as possible following that meeting and the Mayor's approval.

Work is already underway on the detailed decisions required for the GLA: Mayor budget and this will continue throughout January, in order that final decisions can be taken quickly as information about funding emerges in February. The speed at which this can be done will be impacted by the concurrent finalisation of the GLA: Group Final Draft Budget and the quarterly GLA and functional body performance reviews, all of which will call significantly on my time, and that of the Executive Director of Resources.

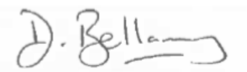
I accept that the ongoing uncertainty about income levels inhibits Assembly scrutiny, and regret this. Unfortunately I can see no way of accelerating the timescale for the production of the GLA: Mayor budget within the statutory framework: we cannot provide information until decisions have been made and documented, and the billing authority returns are a pre-requisite for this.

4(ii). The existing programmes that will require savings to be made will be determined once the final GLA Group budget is agreed on 25 February, based on the level of resources allocated by it and the work done in advance, described above. This information will then be included in the full GLA: Mayor budget.

4(iii). Similarly, planned staffing savings will be determined as the GLA: Mayor budget is finalised. In addition, in accordance with the agreed procedures with the Assembly, the GLA Oversight Committee will be consulted on these staffing savings before the Chief Officer takes any decision to proceed.

5. I refer to the Executive Director of Resources reply to you as mentioned at paragraph 1 above. He has confirmed that information will be provided in a comparable fashion to allow scrutiny to take place. Further, he has offered to discuss the detailed format of the information in the GLA: Mayor's final budget with your officers to ensure this information is made available.

Yours sincerely,



David Bellamy
Chief of Staff

Cc Gino Brand, Assembly Secretariat

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Email 与我们联系。

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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