

## Mayor's Background Statement in support of his Final Draft Consolidated Budget for 2013-14

### PART 1

#### Summary

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

### 1 Introduction

- 1.1 On 8 February the Assembly considered and agreed an amendment to the Mayor's Draft Consolidated Budget as defined in the Greater London Authority Act 1999, as amended ('The Act'). This document explains the Mayor's final proposals for 2013-14 as set out in his Final Draft Budget, formally presented to the Assembly in this document.
- 1.2 The process for approval and potential amendment of the Mayor's Final Draft Budget is set out in Schedule 6 of the Act, as follows:
- (a) If the Assembly has amended the Mayor's Draft Consolidated Budget (which happened at its meeting on 8 February) the Mayor is obliged by the Act to lay before the Assembly a statement of his reasons as to why the budget presented as his Final Draft Budget is different from the Draft Consolidated Budget amended by the Assembly. This statement appears at Annex B of this document;
  - (b) The Mayor presents his Final Draft Budget to the Assembly;
  - (c) After considering the Mayor's Final Draft Budget, the Assembly must approve it with or without amendment. The only amendments which are to be made are those agreed by at least two-thirds of the Assembly Members voting;
  - (d) If no amendments are made following consideration of the Final Draft Budget, it is deemed to have been approved by the Assembly without amendment by automatic operation of the Act;
  - (e) The Final Draft Budget as approved by the Assembly (with or without amendment) is to be the Authority's Consolidated Budget for 2013-14; and
  - (f) It is the duty of the Assembly to approve the Final Draft Budget with or without amendment before 28 February, 2013. If the Assembly fails to meet this deadline, the Final Draft Budget presented by the Mayor shall be the Authority's Consolidated Budget for 2013-14.

## Final Draft Consolidated Budget for 2013-14

- 1.3 Annex A of this statement presents the Mayor's Final Draft Budget as defined in the Act. Separate accompanying documents provide an explanation of the budget proposals and finance and legal advice. These are similar to the Draft Consolidated Budget considered by the Assembly at its meeting on 8 February, except to reflect final figures provided by the 33 London billing authorities on: retained business rates; collection fund surpluses and council tax bases; and the GLA's estimate of its entitlement to council tax support transition grant based on the schemes agreed by each authority. The documents also reflect the Government's Final Local Government and Police Finance Settlements for 2013-14, and consequential drafting and correction of typographical errors.

## 2 Final Draft Budget Proposals

- 2.1 At its meeting on 8 February the Assembly passed an amendment by 15 votes to 9 to freeze the Council Tax precept for 2013-14 and allocate an additional £5.428 million towards LFEPA (by increasing its reserves) and £4 million to MOPAC (by increasing its planned expenditure). The Assembly states that with the "same approach of freezing the precept in future years", this funding can "avoid any closure of fire stations or cuts in the number of fire engines." The Assembly says that the priority for the additional funding for MOPAC will be "maintaining an adequate network of front counters for the public and local bases for Safer Neighbourhood Teams."
- 2.2 The Mayor has given careful consideration to the Assembly's amendment to his Budget. However, he does not consider the arguments made to be convincing.
- 2.3 The impact of the Assembly's amendment would be to create an ongoing additional resource of £5.428 million to support LFEPA's budget and a one-off increase to its reserves of £5.428 million. However, assuming LFEPA's 2013-14 budget is financially balanced, its budget shortfall for 2014-15 is estimated to be some £28.7 million on an ongoing basis. Therefore, the additional resources arising from the Assembly's amendment fall well short of providing the funding necessary to maintain LFEPA's existing arrangements for service provision.
- 2.4 The additional resources the Assembly proposes for MOPAC are also misdirected. The current consultation is designed to put officers before buildings, improve contact between police and the public and put more officers on the beat in local areas, providing more visible policing accountable to local people.
- 2.5 The Mayor is committed to reducing his Council Tax precept by 10 per cent over the life of his second administration and to make a reduction each year in the precept. Therefore, his Final Draft Budget for 2013-14 re-affirms that his precept will reduce by 1.2 per cent, as previously announced. A formal response to the Assembly's amendment is attached in the statement at Annex B as required by the Act.

- 2.6 The Assembly also agreed a budget related motion recommending that the Mayor should allocate at least £145 million to cycling in 2013-14. Although the Mayor is a passionate cyclist, he does not find the motion compelling. The current budget for cycling in 2013-14 is £104 million, with budgets set of £111 million and £119 million in 2015-16. Over the next decade the investment in cycling will be some £913 million. This represents the greatest investment in cycling the UK has ever seen.

### 3 New Local Government Finance Regime

- 3.1 The Mayor endorses the underlying objective of the new local government finance regime that local authorities should be able to retain a significant proportion – if not all – of the increase in their business rates revenues in order to incentivise and reward them for delivering economic growth in their area. These reforms will provide the Mayor with a platform from which to boost growth, tackle youth and long term unemployment and deliver critical infrastructure which the capital needs to meet its growing population. The Mayor therefore regards this change as a welcome and important step on the road to increased financial devolution for English local government and for London in particular.
- 3.2 Throughout the budget consultation process a key assumption has been that any adverse impact of the new local government finance regime would be managed by the GLA in setting the 2013-14 Budget. This is to be achieved by the use of the Precept Resilience Reserve which has been enhanced during 2012-13 to £23.216 million, so that as far as possible the management of risk and any losses arising in the introduction of the new system would not be passed to functional bodies in the first instance in 2013-14.
- 3.3 Officers had forecast a potential call on the Precept Resilience Reserve in 2013-14 of £15 million, based on the potential impact of the localisation of Council Tax Benefit. The City of London and the 32 London Boroughs have now made their final returns for retained business rates, forecast council tax collection fund surpluses and council taxbases. The GLA is also now able to estimate its entitlement to the one off council tax support transition grant based on the schemes agreed by each billing authority. Overall, the estimated call on the Precept Resilience Reserve has reduced from £15 million to £10.4 million, as summarised below.

Detail	Impact (£m)
GLA Share of Forecast Net Surpluses on Collection Funds at 31 March	(10.346)
Council TaxBases – Increase compared to forecast used in draft budget	(11.869)
Council Tax Support Transition Grant Income	(1.988)
Retained Business Rates – Shortfall between forecast and baseline	34.569
<b>Estimated Call on Precept Resilience Reserve in 2013-14</b>	<b>10.367</b>

- 3.4 It should be emphasised that this and future year's forecasts of rates retention and council tax income will remain subject to great uncertainty – and there may be significant differences in the actual income received at the year end.

## Final Draft Consolidated Budget for 2013-14

- 3.5 This uncertainty arises due to the significant volatility which can occur in business rates income (e.g. due to appeals) and because of the greater challenges which some billing authorities may incur in recovering relatively small sums from working age households who will see reductions in their council tax (benefit) support from April 2013. Any variations between forecast council tax and business rates revenues and the year end outturn will be corrected for through the collection fund forecast surplus or deficit calculation towards the end of the financial year which is made by billing authorities each January. This will be transferred to the GLA through an adjustment to council tax and business rates instalments in the following year.
- 3.6 In determining their council taxbases for 2013-14 all 33 London billing authorities have been required to make estimates of the financial cost of providing council tax support to both working age and pensioner claimants – as this is no longer fully funded by government subsidy. In the light of London’s growing and highly mobile population it is difficult to predict demand for council tax support with certainty.
- 3.7 In addition an estimated 26 billing authorities have agreed council tax support schemes which will require the majority of working age council tax benefit claimants to pay typically between 5 to 20 per cent of their council tax liability. In some cases certain vulnerable groups (e.g. those on disability benefits) have been exempted but in most cases all working age claimants will be required to make a (greater) contribution in council tax than at present. As a result up to 400,000 low income working age households in London will see an increase in their council tax bills as a result of the schemes to be implemented by these 26 Boroughs – of which around 250,000 are not paying any council tax contribution at all at present.
- 3.8 These authorities will have to recover relatively small sums (averaging between £70 to £280 per annum for a typical Band D two adult household with a council tax liability of £1,400) in additional council tax from large numbers of low income households – many of whom will already be seeing reductions in their entitlements due to other welfare reforms.
- 3.9 Under the reforms introduced in the Local Government Finance Act 2012 billing authorities have also been permitted to introduce revised exemption and discount policies for second and empty homes – in most boroughs the majority of properties affected are short term empty properties (so called ‘class C’ exemptions) many of which are in the private rented sectors where the recovery of sums owed is not guaranteed. The implementation of these reforms will add further complexity to the administration and enforcement of council tax in 2013-14.
- 3.10 In setting their taxbases GLA officers’ understanding is that billing authorities have assumed collection rates for those working age claimants affected by the council tax support changes of up to 75 per cent. In view of the relatively low sums being collected and the circumstances of the billpayers it is possible that these targets may not be met. If this were to occur the actual sums collected in council tax could be materially lower than might be suggested by the council taxbases which have been agreed for the purposes of budget setting and are used in the final draft budget calculations.

- 3.11 Also, in providing their estimates of income from retained business rates the 32 boroughs and the City of London have had to make assumptions on the level of appeals which are very hard to predict.
- 3.12 The total downwards adjustment applied for appeals in billing authority returns in respect of the GLA's rates retention share is almost £120 million – equivalent to 13 per cent of the GLA's baseline funding included within the rates retention system. However there are considerable variations between the percentage allowances made by billing authorities for appeals – based on their judgements of potential refunds payable in 2013-14 in respect of that year and prior financial years having regard to local circumstances. This is a reflection of the fact that the Valuation Office has a backlog of outstanding appeals (230,000+ nationally) – the largest proportion of which are in London (nearly 60,000 properties with outstanding appeals on the latest published data equating to more than 20 per cent of business premises in the capital).
- 3.13 At present an average of one third of properties have outstanding appeals in the central London boroughs of the City, Camden, Hammersmith and Fulham, Kensington and Chelsea and Westminster. Between them these five authorities will account for the majority of the GLA's business rates retention income - with Westminster alone providing more than one quarter of the total. The latter four boroughs saw the largest percentage growth in rateable values in England at the last revaluation in 2010 (averaging 60 per cent in Westminster) – so the potential for refunds for successful appeals is significant given their large taxbases.
- 3.14 There is therefore considerable uncertainty over the yield from retained business at this stage, and final statutory regulations on the operation of the retained business rates system will not be laid before Parliament until March. When allied to the uncertainty around collection rates in respect of council tax support claimants this means that the actual sums generated from business rates and the Mayor's precept could differ significantly from the current forecasts used for the purposes of this Final Draft Budget.
- 3.15 Therefore, the Mayor's Final Draft Budget adds the effect of the increase in Council Tax Bases compared to the draft budget assumptions, the reported aggregate Collection Fund surplus and the GLA's estimate of its entitlement to Council Tax Support Transition Grant to the Precept Resilience Reserve. This increases the Precept Resilience Reserve to £47.418m as at 1 April 2013. The Reserve will be deployed in the light of experience of the new regime, particularly the actual collection of retained business rates reflecting successful rather than estimated rating appeals and also from working age households affected by the changes to council tax support. Budgeted payments of retained business rates would be limited to the amount of billing authority forecasts returns until the Authority has updated information via the collection forecast outturn submissions for 2013-14 in January 2014 - subject to sufficient revenues being available any balance due would then be released.

## **Final Draft Consolidated Budget for 2013-14**

- 3.16 Accordingly, the statutory budget calculations are presented to show no reduction in funding from retained business rates and the increase to the Precept Resilience Reserve is held to cover the risk of a shortfall in business rates. Any upside arising from the 2013-14 council taxbase for budget setting has been allocated provisionally to the GLA precept resilience reserve in 2014-15 and 2015-16. The allocation of these sums will be reviewed before the 2014-15 budget is approved.

## **4 Final Local Government and Police Settlements**

- 4.1 The final Local Government and Police Settlements were published on 4 February and approved by the House of Commons on 13 February. Neither of these Settlements materially changes the Mayor's Budget. Compared to the Provisional Settlement non police revenue support grant has been reduced by £3,221, the rates retention baseline funding by £2,192 with a £4 reduction in principal police formula grant. No changes were made to MOPAC's core Home Office police grant. In addition MOPAC's council tax support specific grant has been reduced by £10,200. The marginal impact of these Settlements is reflected in the Mayor's Final Draft Budget and the funding has been apportioned on the same basis as used for the draft budget – except that the entire reduction in non police council tax support grant has been absorbed by the GLA.

## **5 GLA**

- 5.1 Within its Budget amendment the London Assembly called on the Mayor to bring back a revised budget that takes seriously the twin crises of youth unemployment and unaffordable housing in the capital.
- 5.2 Youth unemployment continues to be a key concern and action in this area is a top Mayoral priority. In addition to the wider regeneration / construction /employment-related programmes delivering job opportunities, the GLA is focussing resources and efforts on driving up the number of apprenticeships in London, including through the GLA Group, with £650,000 over the next two years for the supplier skills programme. This will support the delivery of the Mayor's target of 250,000 apprenticeship starts over his second Mayoralty. There is also the GLA European Social Fund Youth Programme (2011-13) which aims to assist young people who have disengaged from employment and educational opportunities by giving them the skills, motivation and awareness to allow them to progress to, and to remain, in education or employment. The total programme value is £10 million with an aim of supporting 2,770 young people to progress into either education or employment; £4.5 million of the £10 million has been allocated for this investment in 2013-14. Also the Mayor's education programmes are aimed at delivering improved life-chances for young people.

- 5.3 The Liberal Democrat Assembly Group proposed that £100 million of retained business rates be diverted from Transport for London to the GLA to fund £1.7 billion of additional borrowing in order to fund a new home building programme and repay such borrowings over 50 years. It is correct that the GLA is now able to directly invest in housing for the first time in its history, to complement its existing powers on planning and infrastructure, but it needs a securely financed long-term plan to deliver the homes needed. This will not be achieved by a one-year diversion of funds which might not be available following this year's spending review.
- 5.4 Since the 2012 Mayoral and Assembly elections the GLA has launched a £100 million fund to boost affordable home ownership. This will help 10,000 people, raising those helped into home ownership to 50,000 over two terms, with the potential to boost the London economy by £2 billion, spurred by around £1 billion worth of construction; a fund of up to £60 million to provide housing for older and disabled people; an £8 million fund for self-build and other community-led building projects; a fund of up to £300 million with the European Investment Bank to deliver carbon-efficient affordable homes; and a £300 million fund from Transport for London to deliver infrastructure projects to unlock housing growth including in Elephant and Castle and Woolwich. This level of housing construction will be a massive boost to Britain's economic recovery. City Hall's 2011-15 housing programmes alone will create 100,000 jobs, benefitting small companies, as one in four SMEs are in the construction industry. The Mayor's 20/20 Vision which will be published shortly will set out longer term proposals for tackling the housing mismatch between supply and demand.
- 5.5 Further, the Mayor remains committed to delivering 55,000 affordable homes by 2015. Although there is always a risk with any programme of completions, the GLA has introduced a number of initiatives to manage delivery and mitigate the risk of slippage beyond 2015. These arrangements include:
- The use of 75 per cent start-on-site tranche payments to stimulate early delivery;
  - A use-it-or-lose-it ultimatum to providers to identify all sites for their programme by December 2012;
  - A deadline that all schemes must start on site by September 2013 to ensure completions by March 2015; and
  - The launch of a new bidding round for the Mayor's Housing Covenant to build additional programme.
- 5.6 In terms of overall housing delivery, London saw record numbers of affordable homes delivered last year since the GLA's creation with 16,173 affordable homes completed in the capital - the highest for over fifteen years. This contributes to the Mayor's target to deliver 55,000 affordable homes in London, with 19,500 homes already delivered through GLA funded programmes.

## Final Draft Consolidated Budget for 2013-14

- 5.7 The Assembly's budget amendment also claims that the Mayor's draft budget failed to deliver sustained investment to tackle London's deep seated environmental problems.
- 5.8 The Mayor is continuing to work towards improving London's environment. Energy supply and master-planning is key to delivering sustainable development for London's economy. Investment will continue through a Decentralised Energy programme (with £1.3 million over the next two years) which provides technical, commercial and financial advisory support to partners to help them bring their decentralised energy projects to the market. This work builds on the mapping of opportunities identified through the London Heat Map. Work will also progress with partners towards a district heating demonstration project, supported by European funds.
- 5.9 The Drain London initiative will continue developing a pipeline of strategic flood risk management projects across London thus increasing the capital's resilience against risks from surface water flooding.
- 5.10 A priority is that London makes full use of the London Green Fund, in which the GLA has £32 million invested, in addition to the London Waste and Recycling Board's (LWARB's) £18 million and the European Regional Development Fund's match funding of £50 million. There are now three Urban Development Funds: one for waste; one for energy efficiency; and a new Greener Affordable Housing Fund. The Mayor will continue to support LWARB directly with £1.5 million in 2013-14 so the right pipeline of projects can be developed in co-operation with the 32 boroughs.
- 5.11 The Mayor is also seeking to ban all but zero and low emission vehicles from central London by 2020 in an effort to ease the capital's air pollution. TfL has been asked to explore how such a scheme, which would be the world's first ultra-low emission zone, could work.
- 5.12 The Mayor has also announced an extra £20 million to help boroughs tackle the most polluted places and another 600 hybrid buses for London, bringing the total green fleet to more than 1,600 by 2016.

## 6 MOPAC

- 6.1 It is essential that the Metropolitan Police Service (MPS) is run efficiently and effectively, so that Londoners receive the best service possible from their police, within the available resources. By reforming the back office, releasing assets and reducing overheads, police numbers can be maintained at or around 32,000 with a record high number of police constables at just under 26,000 and public access to the MPS can be improved.
- 6.2 The Budget and Performance Committee wished to know when projections for the MPS's workforce over the remainder of the Spending Review period using the Operational Policing Model analysis would be finalised. MPS expect to be able to provide end state 2015-16 targets for high level operational policing numbers by the end of April 2013.

- 6.3 The Mayor and the Deputy Mayor for Policing and Crime have continued to reduce the 'perks' of the most senior officers in the MPS. Only the Commissioner, Deputy Commissioner and the Assistant Commissioner for Territorial Policing are now provided with subsidised accommodation. Other MPS ACPO officers are only provided with short term accommodation (usually for six months) if it is agreed as part of their relocation to London from other forces.
- 6.4 Since 2008 the number of residential units has been reduced from 420 to 233 in January 2013. Residential accommodation is provided on the basis of operational need. New guidance has been put in place to limit the cost of vehicles provided to MPS ACPO officers. Work is ongoing to continue to reduce the use of drivers and, going forward, to provide a smaller pool of shared drivers. ACPO officers are entitled to be considered for a performance bonus but all have chosen voluntarily to forgo consideration of any award for the last two years. There are no plans to consider bonuses for 2012-13.

## **7 LFEPA**

- 7.1 The Mayor issued a Direction to LFEPA to commence public consultation on the version of the draft Fifth London Safety Plan 2013-16 which was submitted to the meeting of the Authority on 21 January 2013 by the Fire Commissioner. The Direction was issued to enable professional advice on operational efficiency and effectiveness to be considered without delay in a public consultation, and to allow other proposals to be submitted. At its meeting on 11 February 2013 LFEPA voted not to comply with the Direction; a decision which could lead to compulsory redundancies for some firefighters as a result of the further delays it causes. The Mayor is seeking immediate legal redress to ensure the Fire Authority follows the Direction.

## **8 TfL**

- 8.1 The Secretary of State for Transport wrote to the Mayor on 8 February proposing reductions in the GLA Transport Grant for 2013-15 in line with the Chancellor of the Exchequer's Autumn Statement which announced further reductions for non protected departments of 1 per cent in 2013-14 and 2 per cent in 2014-15. The Secretary of State has asked for a final response back from the Mayor by 22 February. The impact of these reductions in the residual GLA Transport Grant will need to be considered by TfL's Board and have not been reflected in the calculations in the final draft budget as they are provisional. TfL will be required to absorb any reductions made in its budget plans for 2013-14.
- 8.2 TfL's Business Plan published in December accounted for any variances against the budget set in March 2012. These sums are fully committed to investment to improve transport in London to cope with higher than anticipated population growth and to keep the capital competitive globally.

## Final Draft Consolidated Budget for 2013-14

- 8.3 Just as with any business of the enormous scale of TfL, the precise timing of this investment can change slightly across accounting periods. However, the fact remains that these sums are fully allocated to improving transport in London, including the vital upgrade of the Tube, improving the road network for all users and boosting cycling.
- 8.4 TfL's latest financial report, the Q3 Operational and Financial Performance Report (February 2013), highlighted an underspend of £115 million (1.5 per cent of forecast expenditure) for 2012-13 excluding Crossrail. Over 90 per cent of this underspend relates to Capital Projects.
- 8.5 TfL is delivering one of the world's largest capital programmes across the public transport and road networks. It is common for such a huge and complex capital portfolio to have changes in the phasing of expenditure across accounting periods. This arises for a number of reasons, including rephasing to attain the best commercial deals, sometimes protracted negotiation over property and not paying suppliers until they supply reliable goods.
- 8.6 TfL have established a culture of rigorous cost consciousness and control, which is demonstrated by a continuous commitment to an ambitious cost reduction programme. The programme covers all areas of the business and has secured £9.8 billion in savings. TfL have refreshed the savings plan in the new Business Plan to provide clearer and more challenging targets beyond the £9.8 billion already secured, leading to £500 million of further savings being sought to 2014-15.
- 8.7 The Assembly's amendment claimed that the Mayor's Budget fails to keep London public transport affordable. However, the fares increase was part of a package which included reducing Council Tax while improving the transport system to keep London working and growing, creating jobs and prosperity for our Capital.

## 9 Conclusions and Recommendations

- 9.1 The Mayor has a number of statutory functions that must be fulfilled on behalf of Londoners and reflected in a financially balanced budget. The Mayor also has a number of discretionary functions which in so far as he exercises them must also be included in his Budget.
- 9.2 The Mayor is satisfied that the Final Draft Budget is financially balanced and achieves a fair and reasonable balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost. The estimates of income and expenditure, including allowances for inflation, Government funding, retained business rates and council tax, are soundly based and there is appropriate provision for contingencies and reserves.
- 9.3 In commending this Final Draft Budget to the Assembly the Mayor believes that Londoners recognise and support his plan to reduce the level of Council Tax whilst continuing to invest in London's public services.

## Final Draft Consolidated Budget for 2013-14

9.4 On the basis of the information set out in this statement and accompanying documents, the Assembly is recommended to approve the Mayor's final draft consolidated council tax requirement for the GLA and its functional bodies of **£778,722,197** as contained in Annex A.

9.5 This final draft consolidated council tax requirement is made up as follows:

<i>Constituent body</i>	<i>Component council tax requirement</i>
Mayor of London	£84,624,956
London Assembly	£2,600,000
Mayor's Office for Policing and Crime	£557,124,972
London Fire and Emergency Planning Authority	£128,372,269
Transport for London	£6,000,000
London Legacy Development Corporation	£NIL
<b>Total Consolidated Council Tax Requirement</b>	<b>£778,722,197</b>

**Boris Johnson**

Mayor of London

## Final Draft component and consolidated council tax requirements 2013-14

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

Line	Sum	Description
(1)	£739,339,888	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
(2)	£5,000,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
(3)	£24,201,883	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
(5)	<b>£768,541,771</b>	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)	-£505,863,522	estimate of the Mayor's income not in respect of government grant, retained business rates or council tax calculated in accordance with s85(5)(a) of the GLA Act including the GLA share of the collection fund surplus for the 33 London council tax billing authorities and the tariff payment payable to the Secretary of State funded using business rates income not retained by the Mayor.
(7)	-£16,560,769	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(8)	-£35,847,823	estimate of the Mayor's income from general government grants (i.e. revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
(9)	-£29,837,076	estimate of the Mayor's income in respect of retained business rates in accordance with s85(5)(a) of the GLA Act
(10)	-£95,807,625	estimate of Mayor's reserves to be used in meeting amounts in lines (1) and (2) above under s85(5)(b) of the GLA Act
(11)	<b>-£683,916,815</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Mayor (lines (6) + (7) + (8) + (9) + (10))
(12)	<b>£84,624,956</b>	the component council tax requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (11) above calculated in accordance with section 85(6) of the GLA Act)

**The final draft component council tax requirement for the Mayor for 2013-14 is £84,624,956**

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

Line	Sum	Description
(13)	£7,607,000	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the GLA Act
(14)	0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the GLA Act
(15)	0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the GLA Act
(16)	0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the GLA Act
(17)	<b>£7,607,000</b>	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the Assembly (lines (13) + (14) + (15) + (16) above)
(18)	-£175,313	estimate of the Assembly's income not in respect of government grant, retained business rates or council tax calculated in accordance with s85(5)(a) of the GLA Act
(19)	£0	estimate of the Assembly's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(20)	-£2,786,405	estimate of the Assembly's income from general government grants (i.e. revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
(21)	-£2,045,282	Estimate of the Assembly's income in respect of retained business rates in accordance with s85 (5) (a) of the GLA Act.
(22)	£0	estimate of Assembly's reserves to be used in meeting amounts in lines (13) and (14) above under s85(5)(b) of the GLA Act
(23)	<b>-£5,007,000</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the Assembly (lines (18) + (19) + (20) + (21) + (22))
(24)	<b>£2,600,000</b>	The component council tax requirement for the Assembly (being the amount by which the aggregate at (17) above exceeds the aggregate at (23) above calculated in accordance with section 85(6) of the GLA Act)

**The final draft component council tax requirement for the Assembly for 2013-14 is £2,600,000.**

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

Line	Sum	Description
(25)	£3,269,909,331	estimated expenditure of the MOPAC calculated in accordance with s85(4)(a) of the GLA Act
(26)	£0	estimated allowance for contingencies for the MOPAC under s85(4)(b) of the GLA Act
(27)	£27,300,000	estimated reserves to be raised for meeting future expenditure of the MOPAC under s85(4)(c) of the GLA Act
(28)	£0	estimate of reserves to meet a revenue account deficit of the MOPAC under s85(4)(d) of the GLA Act
(29)	<b>£3,297,209,331</b>	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the MOPAC (lines (25) + (26) + (27) + (28) above)
(30)	-£297,100,000	estimate of the MOPAC's income not in respect of government grant, retained business rates or council tax calculated in accordance with s85(5)(a) of the GLA Act
(31)	-£473,789,795	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(32)	-£1,969,194,564	estimate of the MOPAC's income from general government grants (i.e. revenue support grant, Core Home Office Police Grant and principal police formula grant) calculated in accordance with s85(5)(a) of the GLA Act
(33)	£0	Estimate of the MOPAC's income in respect of retained business rates in accordance with s85(5)(a) of the GLA Act
(34)	£0	estimate of MOPAC's reserves to be used in meeting amounts in lines (25) and (26) above under s85(5)(b) of the GLA Act
(35)	<b>-£2,740,084,359</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for the MOPAC (lines (30) + (31) +(32) +(33) + (34))
(36)	<b>£557,124,972</b>	the component council tax requirement for MOPAC (being the amount by which the aggregate at (29) above exceeds the aggregate at (35) above calculated in accordance with section 85(6) of the GLA Act)

**The final draft component council tax requirement for the MOPAC for 2013-14 is £557,124,972.**

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

Line	Sum	Description
(37)	£445,071,409	estimated expenditure of LFEPA for the year calculated in accordance with s85(4)(a) of the GLA Act
(38)	£0	Estimated allowance for contingencies for LFEPA under s85(4)(b) of the GLA Act
(39)	£0	estimated reserves to be raised for meeting future expenditure of LFEPA under s85(4)(c) of the GLA Act
(40)	£0	Estimate of reserves to meet a revenue account deficit of LFEPA under s85(4)(d) of the GLA Act
(41)	<b>£445,071,409</b>	aggregate of the amounts for the items set out in s85(4) of the GLA Act for LFEPA (lines (37) + (38) + (39) + (40) above)
(42)	-£30,100,000	Estimate of LFEPA’s income not in respect of government grant, retained business rates or council tax calculated in accordance with s85(5)(a) of the GLA Act
(43)	-£10,900,000	Estimate of LFEPA’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(44)	-£163,549,533	Estimate of LFEPA’s income in respect of general government grants (i.e. revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
(45)	-£108,849,607	estimate of LFEPA’s income in respect of retained business rates in accordance with s85(5)(a) of the GLA Act
(46)	-£3,300,000	Estimate of LFEPA’s reserves to be used in meeting amounts in lines (37) and (38) above under s85(5)(b) of the GLA Act
(47)	<b>-£316,699,140</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LFEPA (lines (42) + (43) + (44) + (45) + (46) above)
(48)	<b>£128,372,269</b>	the component council tax requirement for LFEPA (being the amount by which the aggregate at (41) above exceeds the aggregate at (47) above calculated in accordance with section 85(6) of the GLA Act)

**The final draft component council tax requirement for LFEPA for 2013-14 is £128,372,269.**

**Transport for London (“TfL”) final draft component budget**

Line	Sum	Description
(49)	£6,731,775,000	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the GLA Act
(50)	£0	estimated allowance for contingencies for TfL under s85(4)(b) of the GLA Act
(51)	£0	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the GLA Act
(52)	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the GLA Act
(53)	<b>£6,731,775,000</b>	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the TfL (lines (49) + (50) + (51) + (52) above)
(54)	-£4,773,000,000	estimate of TfL’s income not in respect of government grant ,retained business rates or council tax calculated in accordance with s85(5)(a) of the GLA Act
(55)	-£1,150,000,000	estimate of TfL’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(56)	£0	estimate of TfL’s income in respect of general government grants (i.e. revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
(57)	-£802,775,000	estimate of TfL’s income in respect of retained business rates in accordance with s85(5)(a) of the GLA Act
(58)	£0	estimate of TfL’s reserves to be used in meeting amounts in lines (49) and (50) above under s85(5)(b) of the GLA Act
(59)	<b>-£6,725,775,000</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for TfL (lines (54) + (55) + (56) + (57) +(58) above)
(60)	<b>£6,000,000</b>	the component council tax requirement for TfL (being the amount by which the aggregate at (53) above exceeds the aggregate at (59) above calculated in accordance with section 85(6) of the GLA Act)

**The final draft component council tax requirement for TfL for 2013-14 is £6,000,000.**

### London Legacy Development Company (“LLDC”) final draft component budget

Line	Sum	Description
(61)	£44,200,000	estimated expenditure of LLDC for the year calculated in accordance with s85(4)(a) of the GLA Act
(62)	£0	estimated allowance for contingencies for LLDC under s85(4)(b) of the GLA Act
(63)	£0	estimated reserves to be raised for meeting future expenditure of LLDC under s85(4)(c) of the GLA Act
(64)	£0	estimate of reserves to meet a revenue account deficit of LLDC under s85(4)(d) of the GLA Act
(65)	<b>£44,200,000</b>	aggregate of the amounts for the items set out in s85(4) of the GLA Act for the LLDC (lines (61) + (62) + (63) + (64) above)
(66)	-£38,700,000	estimate of the LLDC’s income not in respect of government grant, retained business rates or council tax calculated in accordance with s85(5)(a) of the GLA Act
(67)	£0	estimate of the LLDC’s special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(68)	£0	estimate of the LLDC’s income in respect of general government grants (i.e. revenue support grant) calculated in accordance with s85(5)(a) of the GLA Act
(69)	£0	Estimate of the LLDC’s income in respect of retained business rates in accordance with s85(5)(a) of the GLA Act
(70)	-£5,500,000	estimate of LLDC’s reserves to be used in meeting amounts in lines (61) and (62) above under s85(5)(b) of the GLA Act
(71)	<b>-£44,200,000</b>	aggregate of the amounts for the items set out in section 85(5) of the GLA Act for LLDC (lines (66) + (67) + (68) + (69) +(70)) above
(72)	<b>£0</b>	the component council tax requirement for LLDC (being the amount by which the aggregate at (65) above exceeds the aggregate at (71) above calculated in accordance with section 85(6) of the GLA Act)

**The final draft component council tax requirement for the LLDC for 2013-14 is £0.**

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

Line		Description
(73)	<b>£778,722,197</b>	the sum of the component council tax requirements for the GLA (Mayor and Assembly) (the sum of the amounts in lines (12) + (24) + (36) + (48) + (60) + (72) calculated in accordance with section 85(8) of the GLA Act

**The final draft consolidated council tax requirement for the GLA for 2013-14 is £778,722,197**

## Aggregate GLA Group budget for 2013-14

£	GLA: Mayor	GLA: Assembly	MOPAC	LFEPA	TfL	LLDC	Total
Estimated gross expenditure	£739,339,888	£7,607,000	£3,269,909,331	£445,071,409	£6,731,775,000	£44,200,000	£11,237,902,628
Estimated allowance for contingencies	£5,000,000	£0	£0	£0	£0	£0	£5,000,000
Estimated reserves to be raised for meeting future expenditure	£24,201,883	£0	£27,300,000	£0	£0	£0	£51,501,883
Estimate of reserves to meet a revenue account deficit	£0	£0	£0	£0	£0	£0	£0
<b>Estimated total expenditure</b>	<b>£768,541,771</b>	<b>£7,607,000</b>	<b>£3,297,209,331</b>	<b>£445,071,409</b>	<b>£6,731,775,000</b>	<b>£44,200,000</b>	<b>£11,294,404,511</b>
Estimate of income not in respect of govt grant, precept or retained rates (inc collection funds and NNDR tariff)	-£505,863,522	-£175,313	-£297,100,000	-£30,100,000	-£4,773,000,000	-£38,700,000	-£5,644,938,835
Estimate of special & specific government grant income	-£16,560,769	£0	-£473,789,795	-£10,900,000	-£1,150,000,000	£0	-£1,651,250,564
Estimate of general government grant	-£35,847,823	-£2,786,405	-£1,969,194,564	-£163,549,533	£0	£0	-£2,171,378,325
Estimate of Retained Business Rates	-£29,837,076	-£2,045,281	£0	-£108,849,607	-£802,775,000	£0	-£943,506,965
Estimate of reserves to be used	-£95,807,625	£0	£0	-£3,300,000	£0	-£5,500,000	-£104,607,625
<b>Estimated total income</b>	<b>-£683,916,815</b>	<b>-£5,007,000</b>	<b>-£2,740,084,359</b>	<b>-£316,699,140</b>	<b>-£6,725,775,000</b>	<b>-£44,200,000</b>	<b>-£10,515,682,314</b>
<b>Council tax requirement</b>	<b>£84,624,956</b>	<b>£2,600,000</b>	<b>£557,124,972</b>	<b>£128,372,269</b>	<b>£6,000,000</b>	<b>£0</b>	<b>£778,722,197</b>

## **Mayor of London's written statement of his reasons for preparing a final draft consolidated budget which is not the same as the draft consolidated budget as amended by the London Assembly as required by paragraph 6 (5) of Schedule 6 of the Greater London Act 1999**

### **1 LFEPA**

- 1.1 The Assembly increased the component council tax requirement for LFEPA by £5.428 million in 2013-14 to "avoid any closure of fire stations or cuts in the number of fire engines".
- 1.2 The Mayor has not accepted the Assembly's proposed changes to the draft consolidated budget. The reasons are set out below and at paragraph 3.
- 1.3 The impact of the Assembly's amendment would be to create an ongoing additional resource of £5.428 million to support LFEPA's budget and a one-off increase to its reserves of £5.428 million. However, assuming LFEPA's 2013-14 budget is financially balanced, its budget shortfall for 2014-15 is estimated to be some £28.7 million on an ongoing basis. Therefore, the additional resources arising from the Assembly's amendment fall well short of providing the funding necessary to maintain LFEPA's existing arrangements for service provision. And similarly it would not provide sufficient funding in future years (2015-16 and so on).

### **2 MOPAC**

- 2.1 The Assembly increased the component council tax requirement for MOPAC by £4 million in 2013-14 with the priority for this additional funding to maintain "an adequate network of front counters for the public and local bases for Safer Neighbourhood Teams".
- 2.2 The Mayor has not accepted the Assembly's proposed changes to the draft consolidated budget. The reasons are set out below and at paragraph 3.
- 2.3 The additional resources the Assembly proposes are misdirected. MOPAC's current consultation on the Policing Plan is designed to put officers before buildings, improve contact between police and the public and put more officers on the beat in local areas providing more visible policing accountable to local people.

**Final Draft Consolidated Budget for 2013-14**

**3 General**

- 3.1 The Mayor remains committed to reducing his Council Tax precept by 10 per cent over the life of his second administration and to make a reduction each year in the precept. By not accepting the Assembly's amendment the Mayor re-affirms that his precept will be reduced by 1.2 per cent to £303.00 in 2013-14.

**Final Draft Consolidated Budget 2013-14:  
Explanation of Proposals**



## Index

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	Page
Mayor's foreword .....	24
Section 1 - Introduction and Overview.....	25
Section 2 - Greater London Authority (GLA): Mayor of London .....	30
Section 3 - GLA: London Assembly .....	37
Section 4 - Mayor's Office for Policing and Crime (MOPAC) .....	40
Section 5 - London Fire and Emergency Planning Authority (LFEPA).....	47
Section 6 - Transport for London (TfL) .....	52
Section 7 - London Legacy Development Corporation (LLDC).....	58
Section 8 - GLA Group: future years funding .....	63
Section 9 - Final Draft Capital Spending Plan and Borrowing Limits .....	72
Appendix A: GLA: Mayor of London and London Assembly .....	78
Appendix B: MOPAC .....	82
Appendix C: LFEPA .....	86
Appendix D: TfL.....	89
Appendix E: LLDC .....	96
Appendix F: Savings and efficiencies .....	99
Appendix G: Summary of revenue expenditure and financing .....	101
Appendix H: New Financial Regime.....	108
Appendix I: Key dates .....	114
Appendix J: Material Changes Made Compared to Draft Budget Document .....	115

Copies of this report are available on request. However, for environmental reasons, we have decided not to distribute widely a bound version of the report.

If you have access to the Internet, we would recommend that you visit <http://www.london.gov.uk/who-runs-london/greater-london-authority> to obtain an electronic copy of the report. If you do wish to print it, please use recycled paper.

## Mayor's foreword

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Superseded by the Mayor's Background Statement

## Section 1 - Introduction and Overview

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### Introduction

- 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 four functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPAC; overseeing the work of the Metropolitan Police Service - MPS); the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL); and the London Legacy Development Corporation (LLDC).
- 1.2 This section sets out a summary of the key deliverables in the Budget and the overall proposals.

### Key deliverables

- 1.3 The Mayor's key objective in this Budget is to maximise value for the taxpayer through the rigorous pursuit of savings and efficiencies while protecting frontline services and directing capital investment to key priorities. The key deliverables in this Budget are, as follows, to:
- create 200,000 jobs over the course of this Mayoralty;
  - deliver 55,000 affordable homes;
  - directly invest £231 million in London's local places and infrastructure via the Growing Places Fund/London Enterprise Partnership, the Mayor's Regeneration Fund and the Outer London Fund;
  - maintain a police officer establishment at around 32,000;
  - improve public access to the Police by co-locating front counters;
  - maintain the existing targets for how quickly fire engines attend incidents;
  - improve reliability on the Tube by 30 per cent between 2011 and 2015;
  - add an additional carriage to all London overground trains and increase service frequency;
  - continue to deliver Crossrail which will lead to London's rail network capacity increasing by 10 per cent;
  - improve the experience for customers through contactless-bank-card payments across all TfL services;
  - deliver up to 600 New Bus for London vehicles as part of a large programme to introduce 1,600 hybrid buses by 2016;

## Section 1 - Introduction and Overview

- improve cycling safety, enhance accessibility on the transport network, and invest in road improvements; and
- promote and deliver the regeneration of the Olympic Park and surrounding area.

### Overall Gross Revenue and capital expenditure of the Group

- 1.4 Set out below is a summary of the planned total revenue and capital expenditure of the GLA Group in 2013-14 compared to 2012-13.

<b>Total Gross Revenue and Capital Expenditure</b>	<b>2012-13<sup>3</sup></b>	<b>2013-14</b>	<b>Change</b>	<b>Change</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Revenue:				
GLA (Mayor and London Assembly) <sup>1</sup>	403	372	-31	-8%
Mayor's Office for Policing and Crime (MOPAC)	3,624	3,270	-354	-10%
London Fire and Emergency Planning Authority (LFEPA)	460	445	-15	-3%
Transport for London (TfL)	6,496	6,732	236	+4%
London Legacy Development Corporation (LLDC)	28	44	16	+57%
<b>Total Revenue (GLA Services)</b>	<b>11,011</b>	<b>10,863</b>	<b>-148</b>	<b>-1%</b>
Add business rates retention tariff payment to CLG to support local government services outside London	N/A	342	342	N/A
<b>Total Revenue (including tariff payment)</b>	<b>11,011</b>	<b>11,205</b>	<b>194</b>	<b>+2%</b>
Capital:				
GLA (Mayor and London Assembly) <sup>2</sup>	1,553	1,583	30	+2%
Mayor's Office for Policing and Crime (MOPAC)	202	171	-31	-15%
London Fire and Emergency Planning Authority (LFEPA)	12	24	12	+100%
Transport for London (TfL)	3,041	3,560	519	+17%
London Legacy Development Corporation (LLDC)	154	267	113	+73%
<b>Total Capital</b>	<b>4,962</b>	<b>5,605</b>	<b>643</b>	<b>+13%</b>
<b>GRAND TOTAL CAPITAL AND REVENUE</b>	<b>15,973</b>	<b>16,810</b>	<b>837</b>	<b>+5%</b>

1. GLA revenue expenditure is net of funding applied to support LLDC.
2. GLA capital expenditure includes contributions to TfL for Crossrail.
3. Revenue figure for 2012-13 is the revised budget and capital figure is forecast outturn.

- 1.5 The overall reduction in revenue expenditure includes savings and efficiencies made in response to falls in Government funding – albeit partly arising from the one off nature of certain funding streams for the Olympics. The increase in the Group's capital expenditure reflects increased investment in infrastructure, for example, on streets, Crossrail, the London Overground, the Tube upgrade and the transformation programme for the Queen Elizabeth Olympic Park.

## Section 1 - Introduction and Overview

- 1.6 After allowing for fares, charges, other income and use of reserves, **gross revenue expenditure of £11,242.9 million for 2013-14** (including rates retention tariff payments of £342.3m and the intra group grant payment between GLA and LLDC of £37m excluded from the table above) translates into **net expenditure to be financed from government grant, retained business rates and the council tax precept of £5,544.8 million.**

### Council Tax Precept

- 1.7 The GLA's precept is the amount of council tax the Mayor has to raise from London's 33 billing authorities (the 32 London boroughs and the Common Council of the City of London) to balance the GLA Group's revenue expenditure, after allowing for revenue grants from the Government and retained business rates.
- 1.8 **The Mayor proposes a reduction in the Band D precept** paid by residents of the 32 London Boroughs from £306.72 to **£303.00 – a decrease of £3.72 or 1.2 per cent.** The precept for the Common Council of the City of London which is outside the Metropolitan Police area is £86.08. More information about the precept and the basis for its calculation are included in Appendix G.
- 1.9 The consolidated council tax requirement for 2013-14 is **£778.7m**. Details of the component council tax requirements for each member of the GLA Group for 2013-14, and illustrative figures for later years, are set out below.

Component council tax requirements (net of council tax support change)	Approved 2012-13 £m	Proposed 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
GLA	123.1	97.6	91.8	91.8
MOPAC	695.0	557.1	552.8	552.8
LFEPa	120.7	128.4	128.1	128.1
TfL	6.0	6.0	6.0	6.0
LLDC	0.0	0.0	0.0	0.0
Collection fund (surplus)/deficit for prior year	-9.7	-10.4	0.0	0.0
<b>Consolidated council tax requirement</b>	<b>935.1</b>	<b>778.7</b>	<b>778.7</b>	<b>778.7</b>

- 1.10 These final draft council tax requirements reflect the impact of the final tax setting data supplied by the 33 London billing authorities which were received during January and February 2013 and the impact of the final local government finance and police settlements which was published on 4 February and approved by the House of Commons on 13 February.
- 1.11 The changes between the provisional and final settlements were not material with the combined reduction in funding for the GLA and LFEPa totalling less than £6,000 and for MOPAC just over £10,000 – primarily relating to revisions in funding for council tax support.

## Section 1 - Introduction and Overview

- 1.12 The aggregate forecast collection fund surplus reported by billing authorities was £10.4 million with the final council taxbases resulting in additional precept revenues compared to the draft budget of £11.9million. The GLA will also be eligible for £2 million in council tax support transition grant as an estimated 18 London billing authorities agreed schemes which meet the Government's conditions. This is offset by the impact of the forecast business rates retention revenues submitted by billing authorities which are £34.6 million lower than the baseline funding allocation of £943.5 million set out in the final local government finance settlement – primarily reflecting the impact of higher forecast levels of refunds relating to rating appeals.
- 1.13 There is considerable uncertainty over the final yield from retained business rates and collection rates in respect of precept income following the localisation of council tax support. In order to provide certainty for MOPAC, LFEPA and TfL the Mayor has committed to meeting the funding and precept allocations set out in his draft budget. The net additional revenues identified above will be added to the GLA's Precept Resilience Reserve – which will be increased from £23.2million to £47.4m. This will ensure that sufficient resources are retained centrally to meet this commitment should the rates retention and council tax outturn for 2013-14 vary from the budgeted forecasts based on the data supplied by London billing authorities.
- 1.14 Council Tax and the other sources of revenue finance for 2013-14 are summarised below:

	£m	Per cent
Spending plans	11,242.9	100
<i>Less:</i>		
Fares, charges and other income	-5,634.6	50
Specific and General Government Grants	-3,822.6	34
Retained Business Rates	-943.5	8
Use of Reserves	-53.1	1
Borough Council Tax collection fund surpluses	-10.4	-
<b>Consolidated Council tax requirement for GLA Group</b>	<b>778.7</b>	<b>7</b>

### New system of Local Government Finance

- 1.15 A new system of local government finance will be introduced from 2013-14, which includes the partial localisation of business rates. Appendix H describes the new system and its impact on the GLA Group. Appendix G sets out a summary and detailed breakdown of the revenue expenditure, Government grants and retained rates allocations made by the Mayor under this new system.

## Section 1 - Introduction and Overview

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### Structure of Document

- 1.16 Revenue budget proposals and funding for each constituent body within the GLA Group is presented in organisational terms in **Sections 2 to 8** of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of their council tax requirements. **Section 9** sets out the final draft Capital Spending Plans and Borrowing Limits for the Group.
- 1.17 **Appendices A to J** provide more explanatory information on the budget proposals. All figures are presented to the nearest £0.1m except for TfL where some figures are reported to the nearest million. Please note that figures in the Tables throughout the document may not sum exactly due to this rounding effect.
- 1.18 There are also more detailed public documents relating to the budget proposals, including those that have been the subject of individual scrutiny and discussion by the functional bodies. These are available on the GLA's and functional bodies' websites. For further information on these documents, or generally in respect of the budget proposals, please contact:

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## Section 2 – Greater London Authority: Mayor of London

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### Introduction

- 2.1 The GLA is a strategic authority with a London-wide role to design a better future for the capital. The Mayor of London sets a citywide vision of improvement, develops strategies and policies to realise the vision and provides funding and encouragement to help make it a reality. The London Assembly holds the Mayor to account by examining his decisions and actions to ensure he delivers on his promises to Londoners.
- 2.2 For the purpose of budget setting the Mayor of London and London Assembly must be treated as separate constituent bodies. The component budget for the Assembly comprises estimates for direct expenditure and income, and appropriate contingencies and financial reserves for Assembly functions and is set out at **Section 3**. The budget for the Mayor is set out below and comprises the rest of the GLA, and 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 A new look GLA business plan will be published in March 2013 and will include a set of key performance indicators (KPIs) covering all main Mayoral policy and programme activities to be delivered by the GLA. The key deliverables for the GLA which will be addressed in this plan include:
- contributing to the Mayor's target of creating 200,000 jobs;
  - directly investing £231 million in London's local places and infrastructure via the Growing Places Fund/London Enterprise Partnership, the Mayor's Regeneration Fund and the Outer London Fund;
  - securing a lasting Olympic and Paralympic legacy, including 11,000 new homes;
  - transforming the Royal Docks into a first class business and leisure destination;
  - achieving 250,000 additional apprenticeship starts;
  - continuing progress in opening ten academies to improve opportunities for young people and developing the Mayor's Education Programme;
  - achieving the Mayor's target of 55,000 affordable homes by the end of 2015;
  - retrofitting an additional 20,000 London homes;
  - implementing the Super-Connected Cities project; and
  - planting 10,000 new street trees.

## Section 2 – Greater London Authority: Mayor of London

### Gross revenue and capital expenditure

- 2.4 The Mayor's gross revenue expenditure in 2013-14 is £744.3 million. After netting off the £342.3 million tariff payment payable to CLG in respect of business rates retention and the intra group grant payments to LLDC of £37.4 million the **gross revenue expenditure on GLA services is £364.6 million** – £31.1 million or 8 per cent lower than 2012-13.
- 2.5 The Mayor's Capital Plan in 2013-14 is £1,582.4 million – an increase from the revised Capital Programme for 2012-13 of £30 million. This change arises due to the rephasing of the Growing Places funding received on behalf of the London Enterprise Partnership and the resources for the Mayor's housing capital programme. The GLA's Capital Plan is set out in Section 9 as part of the Group-wide Capital Spending Plan and the GLA's revenue budget is summarised below.

### Net revenue budget and council tax requirement

- 2.6 After deducting fees, charges, investment income, business rate supplement revenues for Crossrail, and use of election and general reserves from the gross revenue expenditure figure, **net expenditure for 2013-14 for the Mayor is £177.2 million**. After deducting income from government grants, retained business rates and the element of the GLA's business rates income used to meet its £342.3 million tariff payment **the council tax requirement for the Mayor is £95.0 million before the application of the net collection fund surpluses across the 33 London billing authorities of £10.4 million. After the application of the net collection fund surplus the statutory council tax requirement is £84.6 million**. The GLA budget is summarised overleaf in more detail on an objective basis.

### Explanation of budget changes

- 2.7 An analysis of the year on year movements in the council tax requirement is set out in the table below. An explanation of each change is detailed in the paragraphs below. Appendix A sets out:
- a subjective analysis of the GLA's budget; and
  - details of savings and efficiencies.

Changes in the Mayor's council tax requirement	£m
<b>2012-13 council tax requirement</b>	<b>120.5</b>
<i>Changes due to:</i>	
Inflation	0.0
Savings	-2.4
Efficiencies	-4.7
New initiatives and service improvements	0.7
Change in use of reserves	-19.6
Change in government grants	2.3
Other changes	-1.8
<b>2013-14 council tax requirement</b>	<b>95.0</b>

## Section 2 – Greater London Authority: Mayor of London

Objective analysis	Revised	Forecast	Budget	Plan	Plan
	budget	Outturn			
	2012-13	2012-13	2013-14	2014-15	2015-16
	£m	£m	£m	£m	£m
<b>Directorate expenditure</b>					
Volunteering, Team London & Sponsorship	0.0	0.0	0.7	0.7	0.7
Development & Enterprise	29.8	16.5	22.8	17.5	7.4
External Affairs	8.3	8.4	5.7	5.2	5.2
Communities & Intelligence	22.0	19.7	19.8	23.3	27.3
Housing & Land	29.5	27.7	23.4	23.8	13.8
Resources	22.8	23.4	25.3	25.3	25.1
Corporate Management Team	1.3	1.3	1.3	1.3	1.3
Mayor's Office	4.5	3.9	4.2	4.2	4.2
Elections	12.9	12.9	0.3	0.8	6.5
London 2012	53.1	50.2	0.0	0.0	0.0
<b>Sub-total Directorate expenditure</b>	<b>184.2</b>	<b>164.0</b>	<b>103.5</b>	<b>102.1</b>	<b>91.5</b>
Olympic Funding Agreement	58.6	58.6	61.0	61.0	61.0
London Waste & Recycling Board	1.5	1.5	1.5	1.5	0.0
Museum of London	7.6	7.6	7.6	7.6	7.6
London and Partners	14.0	14.0	11.9	11.9	11.9
London Legacy Development Corporation	21.0	21.0	37.4	38.2	10.0
Contingency	4.8	4.8	5.0	5.0	5.0
<b>Net service expenditure</b>	<b>291.7</b>	<b>271.5</b>	<b>227.9</b>	<b>227.3</b>	<b>187.0</b>
Financing costs & taxation	109.8	106.4	167.2	213.4	213.4
Business rates retention tariff payment <sup>1</sup>	0.0	0.0	342.3	342.3	342.3
<b>Total net expenditure</b>	<b>401.5</b>	<b>377.9</b>	<b>737.4</b>	<b>783.0</b>	<b>742.7</b>
<b>Income</b>					
Crossrail Business Rate Supplement	-101.0	-101.0	-144.0	-190.0	-190.0
Public Sector Funding Package	-41.8	-41.8	0.0	0.0	0.0
Interest receipts	-1.7	-14.2	-2.3	-2.0	-2.0
Business rates income to fund tariff	0.0	0.0	-342.3	-342.3	-342.3
<b>Net revenue expenditure</b>	<b>257.0</b>	<b>220.9</b>	<b>248.8</b>	<b>248.6</b>	<b>208.4</b>
Transfer to/from reserves <sup>2</sup>	-52.0	-28.4	-95.8	-89.7	-53.0
Precept resilience	0.0	12.5	24.2	11.8	11.8
<b>Mayor's financing requirement</b>	<b>205.0</b>	<b>205.0</b>	<b>177.2</b>	<b>170.7</b>	<b>167.2</b>
Specific grants	-39.8	-39.8	-16.6	-19.3	-15.8
Retained business rates	0.0	0.0	-29.8	-30.0	-30.0
Revenue support /GLA General grant	-44.7	-44.7	-35.8	-32.1	-32.1
<b>Council tax requirement</b>	<b>120.5</b>	<b>120.5</b>	<b>95.0</b>	<b>89.3</b>	<b>89.3</b>
Application of Collection fund surplus	-9.7	-9.7	-10.4	0.0	0.0
<b>Council tax requirement (net of collection fund surplus)</b>	<b>110.7</b>	<b>110.7</b>	<b>84.6</b>	<b>89.3</b>	<b>89.3</b>

1. In 2014-15 and 2015-16 this tariff payment will rise in line with the previous September's Retail Price Index.

2. Transfers from reserves in 2012-13 include use of £16.2m of LDA general fund balances brought forward

## Section 2 – Greater London Authority: Mayor of London

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### **Inflation**

- 2.8 The Mayor is making no explicit provision for inflation. However, the contingency provision allows for some inflationary pressures.

### **Savings and efficiencies**

- 2.9 The Mayor is proposing savings of £2.4 million and efficiencies of £4.7 million in 2013-14.

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

- 2.10 The Mayor is proposing new initiatives and service improvements of £0.7 million.

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

- 2.11 There is a net change in use of reserves of £19.6 million arising primarily from the application of sums received in the multi-year London Settlement offset by the £24.2 million uplift to the precept resilience reserve in recognition of the risks associated with rates retention and council tax benefit localisation.

### **Change in Government Grants**

- 2.12 Overall the grant funding allocated to the Mayoral component of the GLA budget is around £2.3 million lower than the Mayor's revised budget for 2012-13 - £2m lower in the draft budget due to the impact of the forecast revenues from the council tax support transition grant. The original reason for the loss of grant reported in the revised budget was the £5 million one-off transformation funding for the LLDC which is not continuing into 2013-14.
- 2.13 The reductions in funding through transformation revenues, the one off nature of the 2012-13 council tax freeze grant and the GLA general grant are offset by £17.6 million of new funding via the council tax support grant arising from the localisation of council tax benefit, £2million via the council tax support transition grant and £6.9 million in respect of the 2011-12 council tax freeze grant which has not been allocated to LFEPA or MOPAC. This adjustment – offset by a corresponding uplift in the council tax requirement for MOPAC – means that its funding is provided entirely outside the rates retention system, which is the same basis as funding for Police and Crime Commissioners outside London. These figures reflect the impact of the final local government finance settlement approved by Parliament on 13 February.

### **Other adjustments**

- 2.14 The other adjustments of -£1.8 million reflect revised financing costs of £14.4 million offset by reductions in elections expenditure in 2013-14, interest receipts, and other minor changes. The collection fund surplus is excluded from the comparator - but is netted off in the statutory budget calculation for the GLA in both years.

### **Olympic precept**

- 2.15 The Mayor has committed to raise up to £625 million from London Council Taxpayers as a contribution to the public sector funding package for the 2012 Olympic Games and Paralympic Games over the period 2006-07 to 2016-17. Up to and including 2012-13 it is estimated that a total of £414 million will have been raised.

## Section 2 – Greater London Authority: Mayor of London

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- 2.16 The Mayor's component budget includes the estimated sum of £61 million to be raised in 2013-14 - which includes a proportionate share of the GLA's council tax support grant. The present forecast is that £625 million will be raised by a Band D amount of £20 for 10 years and approximately £9 in year 11 (2016-17) – after allowing for the application of council tax support grant from 2013-14 onwards.

### **Crossrail Business Rate Supplement**

- 2.17 The 2013-14 revenue budget includes £144 million of capital financing costs associated with the borrowing which has been undertaken to finance the GLA's £4.1 billion contribution to Crossrail. This is financed by a 2p business rates supplement (BRS) on non domestic properties with a rateable value above £55,000. A further £75 million – as set out in the GLA capital spending plan – of BRS revenues will be applied as a direct contribution towards the Crossrail construction costs. The final policies for the Crossrail Business Rate Supplement for 2013-14 were approved by the Mayor on 29 January 2013 in Mayoral Decision 1131 and are unchanged from those applying in 2012-13.

### **Equalities**

- 2.18 GLA officers have sought to prioritise administrative savings and have, wherever possible, protected what might be viewed as 'frontline' work with London's communities. Key GLA programmes focused on equality groups, such as youth opportunities, have not been asked to make savings.

### **Environmental impact**

- 2.19 The Mayor is continuing to work towards improving London's environment. Energy supply and master planning are key to delivering sustainable development for London's economy. Investment will continue through a Decentralised Energy programme to help bring decentralised energy projects to the market.

### **Reserves**

- 2.20 At 31 March 2013 the GLA's general reserves balance is expected to total £9.6 million. This balance is forecast to remain constant through to the end of 2015-16. In addition the GLA is forecast to hold £308.2 million of earmarked reserves at 31 March 2013 of which £8.6 million relates to elections. This high level of earmarked reserves reflects the London Settlement agreed with Government.
- 2.21 Earmarked reserves are forecast to reduce to £117.5 million at 31 March 2016 as resources received in the London Settlement are spent – reflecting the additional £24.2 million added to the precept resilience reserve from the uplift in council tax income sources compared to the draft budget in 2013-14 and the £11.8 million in the following two years arising from the higher than forecast council taxbase. In practice the actual sums available at that date will be dependent on the extent to which the precept resilience reserve is utilised to support group budget pressures - and are therefore likely to be release as required to support the MOPAC, LFEPA, GLA and TfL budgets. The earmarked reserves figure also include the £0.8 million Assembly Development and Resettlement Reserve.

## Section 2 – Greater London Authority: Mayor of London

- 2.22 Subject to the need to draw on the Precept Resilience Reserve, the expected movements in reserves over the planning period are set out in the table below.

<b>Movement in GLA reserves during financial year</b>	<b>Outturn 2011-12 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>	<b>Plan 2015-16 £m</b>
<b>Opening balances</b>	<b>62.82</b>	<b>317.5</b>	<b>317.8</b>	<b>246.2</b>	<b>168.3</b>
Transfers to/from:					
Election Reserve	1.2	-8.0	4.2	3.8	-2.0
Other earmarked reserves	253.5	8.3	-75.8	-81.7	-39.2
General reserves	0.0	0.0	0.0	0.0	0.0
<b>Closing balances</b>	<b>317.5</b>	<b>317.8</b>	<b>246.2</b>	<b>168.3</b>	<b>127.1</b>

- 2.23 Subject to the need to draw on the Precept Resilience Fund, the expected total reserves at the end of each financial year are summarised below:

<b>Total GLA reserves at end of financial year</b>	<b>Outturn 2011-12 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>	<b>Plan 2015-16 £m</b>
Elections Reserve	16.2	8.6	12.8	16.6	14.6
Other Earmarked reserves	289.7	299.6	223.8	142.1	102.9
General reserves	11.6	9.6	9.6	9.6	9.6
<b>Total</b>	<b>317.5</b>	<b>317.8</b>	<b>246.2</b>	<b>168.3</b>	<b>127.1</b>

### Determination of council tax requirement for Mayor and Assembly

- 2.24 The GLA is required to determine separate council tax requirements for the Mayor and the London Assembly. This means that the sum of the GLA's general grant funding and retained business rates must be notionally apportioned between the Mayor and the London Assembly.
- 2.25 For the purposes of consultation it has been assumed that the most appropriate basis for apportionment would be to reflect the baseline funding position set in the 2010 Spending Review, as adjusted for the GLA's devolved functions. This was the basis used in last year's budget and leads to the Mayor accounting for 89.5 per cent, and the Assembly 10.5 per cent, of the baseline functions of the GLA. For the purposes of this calculation this share has been applied to the former GLA general grant amounts which are now to be received in the form of the rates retention and non-police revenue support grant allocations (i.e. excluding council tax support and council tax freeze grant funding which are GLA group-wide resources). On this basis £4.8 million (£2 million via rates retention and £2.8 million via revenue support grant) of the £45.7 million notional GLA general grant payable for 2013-14 is attributable to the London Assembly.

## Section 2 – Greater London Authority: Mayor of London

2.26 Set out in the table below are the proposed shares of the council tax requirement for the Mayor and the London Assembly using this methodology.

<b>Indicative calculation</b>	<b>2012-13</b>	<b>2013-14</b>
<b>Mayor and Assembly council tax requirements</b>		
	<b>£m</b>	<b>£m</b>
Mayor's net expenditure	<b>165.2</b>	<b>177.2</b>
Add specific grants for 2012-13 to produce comparable figure	76.6	
Mayor's net financing requirement	241.8	177.2
Less specific grants	-76.6	-16.6
Less funding via rates retention		-29.8
Less funding via revenue support grant		-35.8
Less GLA Mayor share of GLA general grant	-44.7	
<b>Mayor's council tax requirement</b>	<b>120.5</b>	<b>95.0</b>
Assembly's net expenditure	<b>7.7</b>	<b>7.4</b>
Less Assembly share of rates retention funding		-2.0
Less Assembly share of GLA group RSG		-2.8
Less Assembly share of GLA general grant	-5.1	
<b>Assembly's council tax requirement</b>	<b>2.6</b>	<b>2.6</b>
<b>Council tax requirement for Mayor and Assembly combined.</b>	<b>123.1</b>	<b>97.6</b>
Application of centrally held Collection Fund surplus	-9.7	-10.4
<b>Council tax requirement on a like for like basis</b>	<b>113.3</b>	<b>87.2</b>

## Section 3 – Greater London Authority: London Assembly

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### Introduction

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

### Key deliverables

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

### Gross revenue expenditure

- 3.3 **The Assembly's gross revenue expenditure for 2013-14 is £7.6 million** – a reduction of £0.3 million compared to 2012-13.

### Net revenue budget and council tax requirement

- 3.4 **The Assembly's net expenditure for 2013-14 is £7.4 million.** This is 3.8 per cent lower than that in 2012-13 on a like for like basis. As set out in section 2, deducting the respective GLA general grant and retained business rates shares for the Mayor and Assembly having regard to their respective 2013-14 net expenditure, results in **a council tax requirement for the Assembly of £2.6 million in 2013-14.** The revenue budget for the Assembly is set out in the table below on an objective basis.

## Section 3 – Greater London Authority: London Assembly

### Assembly - Objective analysis

Service analysis	Budget	Forecast	Budget	Budget	Budget
	2012-13	2012-13	2013-14	Plan	Plan
	£m	£m	£m	£m	£m
Assembly Members	1.7	1.7	1.7	1.7	1.7
Member Services	2.3	2.3	2.2	2.2	2.2
Scrutiny & Investigations	1.2	1.1	1.2	1.2	1.2
Committee Services	0.5	0.5	0.5	0.5	0.5
External Relations	0.3	0.3	0.3	0.3	0.3
Director/Business Support	0.5	0.7	0.4	0.4	0.4
London TravelWatch	1.2	1.2	1.1	1.1	1.1
Savings to be found	-	-	-	-0.3	-0.3
<b>Net revenue expenditure</b>	<b>7.7</b>	<b>7.7</b>	<b>7.4</b>	<b>7.1</b>	<b>7.1</b>
Financed by:					
GLA General grant	-5.1	-5.1	0.0	0.0	0.0
Retained business rates	0.0	0.0	-2.0	-2.0	-2.0
Revenue support grant	0.0	0.0	-2.8	-2.6	-2.6
<b>Council tax requirement</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>

### Explanation of budget changes

- 3.5 An analysis of the year on year movement in council tax requirements is set out below. An explanation of each change is detailed in the paragraphs below. Appendix A sets out a subjective analysis of the Assembly's 2013-14 budget.

Changes in the Assembly's council tax requirement	2013-14
	£m
<b>2012-13 council tax requirement</b>	<b>2.6</b>
<i>Changes due to:</i>	
Inflation	0.0
Savings	0.0
Efficiencies	-0.3
Changes in government grants	0.3
<b>2013-14 council tax requirement</b>	<b>2.6</b>

### **Inflation**

- 3.6 No explicit provision for inflation is made. However, the Mayor's contingency provision allows for some inflationary pressures within the GLA.

### **Savings and efficiencies**

- 3.7 The Assembly has proposed efficiencies of £0.3 million in 2013-14.

### **Changes in Government grants**

- 3.8 The Assembly's proportionate reduction in Government grants for 2013-14 is £0.3 million.

### **Equalities**

- 3.9 All the Assembly's efficiencies are related to administrative efficiencies and do not have an adverse equalities impact.

### **Environmental impact**

- 3.10 None of the Assembly's efficiencies have any adverse environmental impact.

### **Reserves**

- 3.11 The GLA's budget includes an estimated earmarked Assembly Development and Resettlement reserve of £0.8m as at the beginning of 2013-14.

## Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

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### Introduction

- 4.1 The Mayor’s Office for Policing and Crime (MOPAC) works on behalf of Londoners to hold the Metropolitan Police Service (MPS) to account and improve the provision of criminal justice services across the capital. MOPAC is in a period of transition, as it establishes itself and develops its wider remit. The 2013-17 Police and Crime Plan, will set the police and crime priorities for the remainder of the Mayor’s term. This plan is currently being developed and will be subject to wide-ranging consultation. The final plan will be published by 31 March 2013.
- 4.2 MOPAC’s priorities are to:
- hold the Metropolitan Police Service (MPS) to account and deliver the Mayor’s manifesto commitments and expectations;
  - challenge the MPS and other criminal justice agencies to deliver value for money for the taxpayer and meet the challenge of service delivery with fewer resources in the years ahead; and
  - ensure that all London’s public agencies work together and with communities to prevent crime, seek swift and sure justice for victims and reduce re-offending.

### Key deliverables

- 4.3 MOPAC’s challenge to the MPS over the next four years is to:
- drive down crime in key categories by at least 20 per cent;
  - drive up public confidence in the MPS, as recorded by the Crime Survey for England and Wales, from 62 per cent to 75 per cent of Londoners thinking the MPS are doing a good or excellent job;
  - maintain police officer numbers at around 32,000 and increase the visibility and availability of police officers on patrol in neighbourhoods;
  - increase London’s confidence in their police by supporting the Commissioner to drive out racism and corruption in the MPS where it exists;
  - ensure that the MPS maintains public order in London;
  - improve public access to the MPS by co-locating front counters in hospitals, fire stations, council housing estate offices, libraries, supermarkets and other appropriate locations;
  - improve services to victims of crime with MOPAC’s new statutory duty to commission victim support services; and

## Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

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- make London safer for children and young people by tackling gang crime and serious youth violence and make London safer for women and girls by combating domestic violence.

### 4.4 MOPAC will:

- work closely with the MPS to reduce unnecessary overheads, duplication and back office waste, release underutilised assets and reform the Met’s policing model to deliver efficiencies whilst protecting the frontline; and
- play a leading role in criminal justice in London and devote itself to long-term reforms that improve policing and public safety, break down silos between boroughs and utilise additional partnership funding to fund new ways to reduce crime.

### Gross revenue and capital expenditure

4.5 MOPAC has seen a significant reduction in its overall funding for 2013-14. Gross revenue expenditure has reduced by some £313m from 2012-13 to £3,270 million reflecting the impact of reductions in specific grant funding following the conclusion of the Olympics and in general funding applied to all police forces in England. Total capital expenditure of £171 million is some £31 million lower in 2013-14 than in 2012-13. These reductions have required difficult decisions to be made.

4.6 MOPAC’s Capital Plan is set out in Section 9 as part of the Group-wide Capital Spending Plan and MOPAC’s revenue budget is described directly below.

### Net revenue expenditure and council tax requirement

4.7 The MOPAC's forecast of **gross revenue expenditure for 2013-14 is £3,269.9 million**. After deducting fees, charges, investment income, other income and use of reserves, **net expenditure for 2013-14 before the application of government grants and council tax is £3,000.1m. The council tax requirement for MOPAC is £557.1m**. MOPAC’s revenue budget is summarised in the table below on an objective basis.

## Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

Objective analysis	Revised Budget 2012-13 £m	Forecast Outturn 2012-13 £m	Budget 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
<b>Business Groups:</b>					
Neighbourhood Policing	702.7	686.7	626.4	624.3	634.2
Pan London	1,242.4	1,208.0	1,111.8	1,113.9	1,112.6
Control Infrastructure	322.8	311.7	302.1	305.2	295.3
Met HQ	126.3	123.9	115.4	116.1	111.2
Support Services	808.2	808.6	694.2	673.0	631.6
<b>Total Business Groups</b>	<b>3,202.4</b>	<b>3,138.9</b>	<b>2,849.9</b>	<b>2,832.5</b>	<b>2,784.9</b>
Discretionary Pensions Costs	33.1	41.8	38.3	38.3	38.3
Capital financing costs	57.4	57.5	54.0	61.0	61.0
Interest receipts	-0.8	-0.8	-0.8	-0.8	-0.8
<b>Total corporate budgets</b>	<b>89.7</b>	<b>98.5</b>	<b>91.5</b>	<b>98.5</b>	<b>98.5</b>
Mayor’s Office for Policing and Crime	32.2	31.8	31.3	30.0	29.3
<b>Net revenue expenditure</b>	<b>3,324.3</b>	<b>3,269.2</b>	<b>2,972.7</b>	<b>2,961.0</b>	<b>2,912.7</b>
Transfers to/from reserves	-30.1	-3.0	27.3	-32.4	-18.9
<b>Net financing requirement</b>	<b>3,294.2</b>	<b>3,266.2</b>	<b>3,000.1</b>	<b>2,928.6</b>	<b>2,893.8</b>
Specific Grants	-693.0	-665.0	-354.5	-347.9	-347.9
Specific Grants – Council Tax Support	0.0	0.0	-119.3	-119.3	-119.3
Home Office Police Grant	-1,051.6	-1,051.6	-1,138.4	-1,084.1	-1,049.3
Home Office Formula Grant	-854.6	-854.6	-821.4	-815.1	-815.1
Business Rates Retention Funding	0.0	0.0	0.0	0.0	0.0
Revenue support grant (2011-12 council tax freeze grant share)	0.0	0.0	-9.4	-9.4	-9.4
<b>Council tax requirement</b>	<b>695.0</b>	<b>695.0</b>	<b>557.1</b>	<b>552.8</b>	<b>552.8</b>

## Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

### Explanation of budget changes

- 4.8 An analysis of the year on year movement in the council tax requirement is set out below and an explanation of each change is provided in the paragraphs that follow. In addition, Appendix B sets out a subjective analysis of MOPAC’s budget and details of its proposed savings and efficiencies.

<b>Changes in the MOPAC’s council tax requirement</b>	<b>£m</b>
<b>2012-13 council tax requirement</b>	<b>695.0</b>
<i>Changes due to:</i>	
Inflation	14.9
Savings and net change in existing services	-181.8
Efficiencies	-137.9
New Initiatives	4.6
Change in Government grants	126.7
Change in Reserves	50.3
Other adjustments	-14.7
<b>2013-14 council tax requirement</b>	<b>557.1</b>

### Inflation

- 4.9 MOPAC has budgeted for an additional 1% pay award in each of the 3 years of the current plan, with additional non-pay inflation in 2015-16. This is reflected in the £14.9 million inflation figure in the table above. This reflects a different treatment to the consultation budget as the inflation figure for 2013-14 and 2014-15 was previously reported as growth within the "Savings and net Changes in existing Services".

### Savings and efficiencies

- 4.10 MOPAC is proposing to make savings and net changes in existing services of £181.8 million and efficiencies of £137.9 million in 2013-14, largely as a result of police staff reductions, a revised police officer model and a new local policing model. These are reflected in the table above with the savings and net change in services figures combined.
- 4.11 The budgeted police officer strength at 31 March 2014 is 31,209, at 31 March 2015 it is 31,993 and at 31 March 2016 it is 31,957. The Mayor, through MOPAC, will provide projections for the MPS’s workforce over the remainder of the Spending Review period using the Operational Policing Measure analysis when the information is finalised. The MPS will continually monitor the impact of staffing changes on police capacity.

### New initiatives and service improvements

- 4.12 MOPAC is planning £4.6 million of new initiatives in 2013-14.

## Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

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

- 4.13 MOPAC is forecasting a net change in use of reserves in 2013-14 compared to the 2012-13 budget of £50.3 million. The £27.3 million now planned to be transferred into reserves in 2013-14 – reflecting the additional grant received compared to the planning forecast – will be set aside for application in future years as grant levels are expected to reduce further.

### **Changes in Government grants**

- 4.14 Based on the figures presented in the final police grant settlement approved by the House of Commons on 13 February MOPAC will see a net reduction in Government grants of £148.4 million in 2013-14 compared to the revised 2012-13 budget and £126.7 million compared to the original budget (reflecting changes in specific grants payable in year) – albeit that this partly reflects the ending of the additional resources provided to support policing security for the Olympics. The allocations have only changed marginally compared to the provisional settlement figures reflected in the Mayor’s draft budget – with a £10,200 reduction in specific grants (relating to its ring fenced council tax support funding for local policing bodies), a £4 reduction in principal police formula grant with no change made to the core Home Office police grant.
- 4.15 These figures are net of £119.3 million of funding via the new Council Tax Support grant arising from the localisation of council tax support in 2013-14 (which is offset by a reduction in MOPAC’s council tax requirement on a like for like basis). Excluding council tax support the overall reduction in general and specific Government grants is £267.7 million in 2013-14 compared to 2012-13. Further details on the MOPAC general grant allocation are set out in section 8.

### **Other adjustments**

- 4.15 The main item in Other Adjustments of £14.7 million is the planned use of contingencies, capital financing changes and other adjustments

### **Equalities**

- 4.16 Throughout the planning process Business Groups have been encouraged to consider the impact they have on internal and external communities and therefore develop activities that reflect the Service’s commitment to equality and diversity issues. An Equality Impact Assessment on the final Police and Crime Plan 2013-17, based on an assessment against MOPAC’s corporate objectives and key equalities and diversity issues, will be available before the publication of the Police and Crime Plan in March 2013.

### **Environmental impact**

- 4.17 The planning framework will help to ensure that environmental sustainability issues are properly reflected in future plans and budgets.

## Section 4 – Mayor’s Office for Policing and Crime (MOPAC)

### Reserves

- 4.18 At 31 March 2013 MOPAC’s general reserves balance is expected to total £23.5 million. This balance is forecast to reduce to £19.5 million by 31 March 2014 and be maintained at this level until 31 March 2016.
- 4.19 In addition MOPAC is forecast to hold £196.3 million of earmarked reserves at 31 March 2013 which are forecast to fall to £176.3 million at 31 March 2016. MOPAC anticipate that there will be a significant drawdown in 2013-14 from the Budget Pressures reserve to fund voluntary exits and the ongoing major change programme which is not shown in these figures. The expected movements in reserves over the planning period are set out in the table below.

<b>Movement in reserves during financial year</b>	<b>Outturn 2011-12</b>	<b>Forecast 2012-13</b>	<b>Budget 2013-14</b>	<b>Plan 2014-15</b>	<b>Plan 2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening balances</b>	<b>274.1</b>	<b>252.6</b>	<b>219.8</b>	<b>247.1</b>	<b>214.7</b>
Transfers to/from:					
Earmarked reserves	-8.5	-21.8	31.3	-32.4	-18.9
General reserves	-13.0	-11.0	-4.0	0.0	0.0
<b>Closing balances</b>	<b>252.6</b>	<b>219.8</b>	<b>247.1</b>	<b>214.7</b>	<b>195.8</b>

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

<b>Total MOPAC reserves at end of financial year</b>	<b>Outturn 2011-12</b>	<b>Forecast 2012-13</b>	<b>Budget 2013-14</b>	<b>Plan 2014-15</b>	<b>Plan 2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Earmarked reserves	218.1	196.3	227.6	195.2	176.3
General reserves	34.5	23.5	19.5	19.5	19.5
<b>Total</b>	<b>252.6</b>	<b>219.8</b>	<b>247.1</b>	<b>214.7</b>	<b>195.8</b>

### Consultation process on improving public access

- 4.21 The MPS is developing a strategy to improve public access to the police in London including a review of its large property estate. The review is top-to-bottom, and will consider every operational building, not just those with front counters. The aim will be to create a more efficient estate with a much smaller headquarters and less costly buildings. Formal proposals will be put before the MOPAC for a final decision to be taken by the Deputy Mayor for Policing and Crime (DMPC). In order to inform MOPAC’s final decisions, local police leaders have been engaging with the public and its partners to set out the local picture and listen to community reactions, as well as explain some of the changes they are exploring.

## **Section 4 – Mayor’s Office for Policing and Crime (MOPAC)**

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- 4.22 Based on these 32 local conversations, the MPS will submit its revised estates strategy to MOPAC for approval. Only after that will a final decision be taken by the DMPC on the proposed changes. The new estates strategy for the MPS approved by MOPAC will form part of the wider Police & Crime Plan. A draft of this plan has been formally consulted on during January and February 2013 with the final version expected to be published before 31 March 2013.

## **Section 5 – London Fire and Emergency Planning Authority (LFEPA)**

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### **Introduction**

- 5.1 The London Fire and Emergency Planning Authority (LFEPA) is responsible for fire and rescue services in London and it supports the London boroughs in their emergency planning role.
- 5.2 The Mayor is not anticipating that LFEPA's Fifth London Safety Plan 2013-2016 (LSP5) will be adopted until June 2013. Therefore, LFEPA's main commitments set out below are still subject to consultation and change. Subject to the above, LFEPA's key priorities are to:
- promote community safety and fire prevention activity to mitigate the risk on communities in London;
  - make sure that buildings in London conform to the appropriate fire safety standards in order to protect Londoners and visitors to London;
  - get resources to emergency incidents as quickly as possible, maintaining and improving where possible, their performance against their standards of attendance for first and second appliances; and
  - deliver services in a cost effective way.

### **Key deliverables**

- 5.3 LFEPA's headline targets in the draft LSP5 are by March 2016 to:
- reduce fires in the home by 2 per cent (without stretch) and 8 per cent (with stretch);
  - carry out a further 219,000 home fire safety visits;
  - reduce fires in care homes and sheltered housing by 3 per cent (without stretch) and 9 per cent (with stretch);
  - reduce fires in non-domestic buildings by 4 per cent (without stretch) and 16 per cent (with stretch);
  - reduce fire related fire deaths by 4 per cent;
  - reduce all outdoor rubbish fires by 14 per cent (without stretch) and 28 per cent (with stretch);
  - reduce false alarms from automated systems in non-domestic buildings by 9 per cent (without stretch) and 25 per cent (with stretch); and

## Section 5 – London Fire and Emergency Planning Authority (LFEPA)

- reduce the shut-in-lift incidents attended by 8 per cent (without stretch) and 19 per cent (with stretch).

### Gross revenue and capital expenditure

- 5.4 LFEPA has seen a significant reduction in its overall budget for 2013-14. Gross revenue expenditure has reduced by some £15 million from 2012-13 from £460 million to £445 million. However its capital expenditure has increased by around £12 million.
- 5.5 LFEPA's Capital Plan is set out in Section 9 as part of the Group-wide Capital Spending Plan and LFEPA's revenue budget is described directly below.

### Net revenue budget and council tax requirement

- 5.6 **LFEPA's forecast of gross revenue expenditure for 2013-14 is £445.1 million.** After deducting fees, charges, and other income and use of reserves, **net expenditure for 2013-14 is £411.7 million. The council tax requirement for LFEPA is £128.4 million.** LFEPA's revenue budget is set out below on an objective basis.

Objective analysis	Revised Budget 2012-13 £m	Forecast Outturn 2012-13 £m	Budget 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
Community safety	36.9	36.4	35.5	36.0	36.7
Fire fighting and rescue	363.3	360.4	352.7	355.8	362.4
Fire-fighter pensions	19.3	19.9	21.1	22.2	24.4
Emergency planning	0.9	0.9	0.8	0.8	0.8
Central services	0.4	0.4	0.5	0.5	0.5
Savings to be agreed	-0.2	0.0	-5.7	-34.4	-43.9
<b>Net service expenditure</b>	<b>420.6</b>	<b>418.0</b>	<b>404.8</b>	<b>380.9</b>	<b>381.0</b>
Capital financing costs	11.0	11.0	10.9	11.2	11.5
External interest receipts	-1.4	-1.4	-0.7	-1.1	-1.6
<b>Net revenue expenditure</b>	<b>430.2</b>	<b>427.6</b>	<b>415.0</b>	<b>390.9</b>	<b>390.9</b>
Transfer to/(from) reserves	-36.2	-33.6	-3.3	-1.0	-1.0
<b>Financing requirement</b>	<b>394.0</b>	<b>394.0</b>	<b>411.7</b>	<b>389.9</b>	<b>389.9</b>
Financed by:					
Formula grant	-259.1	-259.1	0.0	0.0	0.0
Specific grants	-14.2	-14.2	-10.9	-10.9	-10.9
Revenue support grant	0.0	0.0	-163.5	-142.2	-142.2
Retained Business Rates	0.0	0.0	-108.9	-108.7	-108.7
<b>Council tax requirement</b>	<b>120.7</b>	<b>120.7</b>	<b>128.4</b>	<b>128.1</b>	<b>128.1</b>

## Section 5 – London Fire and Emergency Planning Authority (LFEPA)

### Explanation of budget changes

- 5.7 An analysis of the year on year movement in the council tax requirement is set out below and an explanation of each change is provided in the paragraphs that follow. In addition, Appendix C sets out a subjective analysis of LFEPA's budget and details of its proposed savings and efficiencies.

<b>Changes in the LFEPA's council tax requirement</b>	<b>£m</b>
<b>2012-13 council tax requirement</b>	<b>120.7</b>
<i>Changes due to:</i>	
Inflation	7.2
Savings	-5.9
Efficiencies	-8.0
New initiatives and service improvements	0.0
Change in use of reserves	30.0
Net Change in Government grants	-13.0
Other adjustments	3.1
Savings to be identified	-5.7
<b>2013-14 council tax requirement</b>	<b>128.4</b>

### Inflation

- 5.8 LFEPA are budgeting for inflation of £7.2 million in 2013-14.

### Savings and Efficiencies

- 5.9 The bulk of LFEPA's savings of £5.9 million for 2013-14 relate to reductions in the establishment. LFEPA's efficiencies of £8 million in 2013-14 arise from cost avoidance, reductions in the establishment and procurement activity.

### New initiatives and service improvements

- 5.10 LFEPA is not planning any material growth items for 2013-14.

### Change in use of reserves

- 5.11 This adjustment reflects the use in 2012-13 of £30 million of LFEPA's reserves to reduce their share of the precept in that year. The council tax requirement increases in 2013-14 because no comparable use of reserves is being applied to reduce LFEPA's net expenditure.

## **Section 5 – London Fire and Emergency Planning Authority (LFEPA)**

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### **Change in Government grants**

- 5.12 The Mayor has allocated LFEPA £23.3 million of Council Tax Support grant as part of the new financial regime in 2013-14. This represents its pro rata share of the council tax support grant payable to the Mayor in respect of non police services. LFEPA has reductions in general and specific Government grants (excluding Council Tax Support grant) of around £10 million in 2013-14 compared to 2012-13. The net change is therefore an increase in government grants of £13 million – due to the impact of the council tax support changes.
- 5.13 Further details on LFEPA's general grant allocation confirmed in the final local government finance settlement which was approved by the House of Commons on 13 February are set out in section 8. These figures have only changed marginally compared to the provisional grant allocations published on 19 December – reflecting an £1,894 reduction in general fire formula grant funding. This has been apportioned between non police revenue support grant (£1,118) and the authority's baseline funding in rates retention (£776). The reduction in non police council tax support grant compared to the provisional settlement has been absorbed in within the GLA budget.

### **Savings to be identified for 2013-14**

- 5.14 LFEPA have indicated that whilst there is now further work to be done to identify proposals that will meet the savings gap for 2013-14 of £5.7 million this does not imply that LFEPA will be unable to set a balanced budget for that year. A final draft budget for LFEPA in accordance with the final budget set by the Mayor will be presented for decision at LFEPA's meeting on 28 March 2013.

### **Other adjustments**

- 5.15 There are £3.1m of other adjustments included in the LFEPA budget for 2013-14.

### **Equalities**

- 5.16 An equality impact analysis has been prepared and made available to relevant parties that highlights the effect of the proposed savings will have on the workforce profile and LFEPA's ability to deliver services to diverse communities. The equalities implications of identifying the £5.7 million of additional savings and efficiencies required for 2013-14 will be considered.

### **Environmental impact**

- 5.17 LFEPA has reviewed the savings proposals for sustainability and environmental implications with consideration of the Mayor's strategies to promote improvement of the environment.

### **Reserves**

- 5.18 At 31 March 2013 LFEPA's general reserves balance are expected to total £15.3 million. This balance is forecast to fall to £14.4 million by 31 March 2014. In addition LFEPA is forecast to hold £12.0 million of earmarked reserves at 31 March 2013 which are forecast to fall to £7.6m at 31 March 2016. The expected movements in reserves over the planning period are set out in the table below.

## Section 5 – London Fire and Emergency Planning Authority (LFEPA)

<b>Movement in reserves during financial year</b>	<b>Outturn 2011-12</b>	<b>Forecast 2012-13</b>	<b>Budget 2013-14</b>	<b>Plan 2014-15</b>	<b>Plan 2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Opening balances</b>	<b>65.5</b>	<b>60.9</b>	<b>27.3</b>	<b>24.0</b>	<b>23.0</b>
Transfers to/from:					
Earmarked reserves	10.4	-7.8	-2.3	-1.0	-1.0
General reserves	-15.0	-25.8	-1.0	0.0	0.0
<b>Closing balances</b>	<b>60.9</b>	<b>27.3</b>	<b>24.0</b>	<b>23.0</b>	<b>22.0</b>

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

<b>Total LFEPA reserves at end of financial year</b>	<b>Outturn 2011-12</b>	<b>Forecast 2012-13</b>	<b>Budget 2013-14</b>	<b>Plan 2014-15</b>	<b>Plan 2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Earmarked reserves	19.7	12.0	9.7	8.6	7.6
General reserves	41.2	15.3	14.4	14.4	14.4
<b>Total</b>	<b>60.9</b>	<b>27.3</b>	<b>24.0</b>	<b>23.0</b>	<b>22.0</b>

### Consultation process on further savings

- 5.20 The LFEPA Full Authority met on 21 January 2013 to consider the draft LSP5 and their budget. The Authority did not agree to consult upon the closure of fire stations, or loss of appliances or operational staff and the table at paragraph 5.7 shows that the Authority is facing an anticipated budget shortfall of £28.7 million in 2014-15 (assuming that £5.7 million of savings are identified to balance the 2013-14 budget).
- 5.21 The Mayor issued a Direction to LFEPA to commence public consultation on the version of the draft Fifth London Safety Plan 2013-16 which was submitted to the meeting of the Authority on 21 January 2013 by the Fire Commissioner. The budget proposals in this final draft budget are consistent with this draft plan.
- 5.22 The Direction was issued to enable professional advice on operational efficiency and effectiveness to be considered without delay in a public consultation, and to allow other proposals to be submitted. At its meeting on 11 February 2013 LFEPA voted not to comply with the Direction. The Mayor is seeking immediate legal redress to ensure the Fire Authority follows the Direction.

## Section 6 – Transport for London

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### Introduction

- 6.1 Transport for London (TfL) is responsible for the planning, delivery and day-to-day operation of the Capital's public transport system, including London's buses, Underground and Overground, the Docklands Light Railway (DLR), Tramlink and London River Services. It is also responsible for managing the Congestion Charge, maintaining London's main roads and traffic lights, regulating taxis, making London's transport more accessible and promoting walking and cycling initiatives.

### Key deliverables

- 6.2 Full details of TfL's priorities are set out in its business plan which was published in December 2012. TfL's key revenue and capital deliverables over the next decade, include:
- a 30 per cent improvement to Tube reliability between 2011 and 2015;
  - upgrading the Northern and Sub-Surface Tube lines;
  - adding an additional carriage to all London Overground trains;
  - removing pinch-points on the DLR and Tramlink networks;
  - upgrading the stations at Tottenham Court Road, Bank, Victoria, Paddington and Bond Street;
  - continuing to deliver Crossrail, which will transform rail capacity and journey times;
  - improving the experience for customers through contactless-bank-card payments across all TfL services;
  - delivering 600 New Bus for London vehicles as part of a programme to introduce 1,600 hybrid buses by 2016;
  - improving access for all in London by making 95 per cent of bus stops accessible; and
  - making cycling safer and more attractive by improving the safety of London's roads for all users.

### Gross revenue and capital expenditure

- 6.3 TfL's total gross revenue budget for 2013-14 has increased by around £236 million. In addition, total capital expenditure is over half a billion pounds higher in 2013-14 than in 2012-13. This reflects the Mayor's commitment to invest in London's transport infrastructure.

## Section 6 – Transport for London

6.4 TfL's Capital Plan is set out in Section 9 as part of the Group-wide Capital Spending Plan and more details are included in that section on TfL's capital expenditure. TfL's budget is summarised on an objective basis below for 2012-13 to 2014-15. No budget information has been presented for 2015-16 at this stage in line with the approach used in the TfL business plan.

### Net revenue budget and council tax requirement

6.5 **TfL's forecast of gross revenue expenditure for 2013-14 is £6,731.8 million** comprising £5,984 million of operating costs and £747.8 million of other items (including £348.1 million of revenue contributions to capital). After deducting fare income, fees, charges, and other income and use of reserves, **net revenue expenditure for 2013-14 is £1,958.8 million**. This is summarised in the table below.

Service analysis	Budget 2012-13 £m	Forecast 2012-13 £m	Budget 2013-14 £m	Plan 2014-15 £m
<b>Income</b>				
Traffic Income	-3,794.4	-3,835.1	-4,088.5	-4,328.5
Congestion Charge, LEZ, Enforcement Income	-146.3	-146.7	-147.7	-144.1
Other Income	-466.1	-466.5	-528.5	-581.2
Interest Income	-5.9	-9.9	-8.4	-8.9
Sub total income	<b>-4,412.7</b>	<b>-4,458.2</b>	<b>-4,773.1</b>	<b>-5,062.7</b>
<b>Operating costs</b>				
London Underground and Tube Lines	2,194.9	2,286.4	2,323.0	2,391.2
Surface Transport	2,728.0	2,727.4	2,779.8	2,883.5
London Rail	342.6	345.6	358.5	357.5
Corporate Directorates	534.6	491.9	523.0	570.4
Sub total operating costs	<b>5,800.1</b>	<b>5,851.3</b>	<b>5,984.3</b>	<b>6,202.6</b>
<b>Other</b>				
Third-party contributions	-24.8	-26.3	-24.3	-19.2
Debt servicing	326.4	293.4	344.3	382.0
Group items	167.0	-11.2	79.5	-6.4
<b>Net services expenditure</b>	<b>1,856.0</b>	<b>1,649.0</b>	<b>1,610.7</b>	<b>1,496.3</b>
Revenue resources used to support capital investment	227.0	478.0	348.1	175.8
Net borrowing other financing and general reserves	0.0	0.0	0.0	0.0
<b>Financing requirement</b>	<b>2,083.0</b>	<b>2,127.0</b>	<b>1,958.8</b>	<b>1,672.1</b>
Financed by:				
GLA Transport grant (including general element)	-1,948.0	-1,954.0	-1,102.0	-827.0
Other Specific grants	-129.0	-167.0	-48.0	-36.3
Retained business rates	0.0	0.0	-802.8	-802.8
<b>Council tax requirement</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

LEZ is the Low Emission Zone.

## Section 6 – Transport for London

- 6.6 **TfL’s council tax requirement for 2013-14 is £6 million.** The balance of its net revenue expenditure is financed by £802.8 million of resources allocated to it by the Mayor through business rates retention, £1,102 million via the general element of the GLA transport grant and £48 million through other specific revenue grants from the Department for Transport (DfT). These figures are consistent with the allocations set out in the draft budget and are made on the basis that the baseline funding allocations for the rates retention component will not be revised to reflect the impact of the business rates forecasts submitted by the 33 London billing authorities. Nor have the plans been amended to reflect the revisions to the 2013-14 and 2014-15 GLA Transport allocation which the Secretary of State for Transport is minded, subject to consultation, to make as set out in his letter to the Mayor dated 8 February. The consequential impact of any change to the GLA Transport Grant determinations will need to be absorbed by TfL its final approved budget for 2013-14.
- 6.7 In addition, TfL will receive around £1,088million of government grant to support its capital programme (excluding Crossrail) – the largest element being £904million through the investment grant element of the GLA transport grant. These grants are reflected in its capital spending plan.

### Explanation of budget changes

- 6.8 An analysis of the year on year movements in council tax requirement is set out below. An explanation of each change is detailed in the paragraphs below. Appendix D sets out:
- a subjective analysis of TfL’s budget;
  - details of savings and efficiencies; and
  - the application of net congestion charge revenue.

<b>Changes in the TfL’s council tax requirement</b>	<b>£m</b>
<b>2012-13 council tax requirement</b>	<b>6</b>
<i>Changes due to:</i>	
Inflation	59
Savings and Efficiencies	-134
Fares, charges and other income changes	-174
New initiatives and service improvements (capital investment and net operational increases/decreases)	350
Change in use of general reserves	0
Changes in Government revenue grants	124
Other adjustments	-225
<b>2013-14 council tax requirement</b>	<b>6</b>

## Section 6 – Transport for London

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### **Inflation**

6.9 TfL are forecasting inflation will increase net costs by £59 million in 2013-14.

### **Fares charges and other income**

6.10 TfL is forecasting an increase in fares, charges and other income in 2013-14 of £174 million. Each 1 per cent increase in fares generates approximately £34 million in additional fares revenue each year. In broad terms, this means that if TfL raises fares by 1 per cent less than planned in one year that reduces TfL's revenue by around £340 million over the course of its 10 year Business Plan.

6.11 TfL needs a continuous and steady stream of funding to ensure the upgrade of London's transport network can continue to drive both London and the UK's economic growth. Inflation-only increases to fares in 2014 and 2015 would have a significant impact on TfL's Business Plan. Examples of the impact this could have on services and passengers are, as follows:

- replacement and maintenance of trains, buses, roads, bridges, signalling and other equipment could be reduced; and
- the Tube upgrade. Crossrail, road schemes and better facilities for cyclists could also be adversely affected.

6.12 The TfL fares decision has been made in an open and transparent manner. Non confidential facts and advice to the Mayor on his annual fares decision are already published on the GLA website in the Mayoral decision form approval. In addition, TfL's planning assumption on fares and the supporting rationale is published in TfL's Business Plan.

### **Savings and efficiencies**

6.13 TfL has budgeted to make additional savings of £134 million in 2013-14 in addition to the significant efficiencies achieved since 2009-10 which are already reflected in its base budget.

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

6.14 TfL are planning significant investment in 2013-14 in new initiatives and service improvements of around £350 million including the use of revenue resources to support capital investment

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

6.15 TfL are not planning to apply any general reserves to support their expenditure in 2013-14 but will be applying £484 million of earmarked reserves.

## Section 6 – Transport for London

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### Changes in Government grants

- 6.16 Based on the assumptions set out in this draft budget which reflect the current GLA Transport Grant allocations TfL is forecast to see a net reduction in government grants for revenue activities of around £124 million in 2013-14.
- 6.17 As part of the local government finance reforms £802.8 million of TfL funding has been allocated to the rates retention funding baseline for the GLA group. On the basis of the current approved allocations the remaining general element of TfL's transport grant paid by DfT will be reduced from £1,954 million in 2012-13 to £1,102million in 2013-14 – partly offset by the £758.5 million of former GLA transport grant transferred into the rates retention system. As indicated above the Secretary of State for Transport is minded to reduce the GLA Transport grant further in 2013-14 and 2014-15 and these changes will need to be managed within its current planning envelope. In addition TfL is expecting to receive a further £48 million in revenue specific grants in 2014-15 which includes £28 million to support the London Overground and £13 million for bus retrofitting and cycling safety.
- 6.18 TfL is also forecast to receive £1,088 million of non Crossrail grant funding to support capital expenditure – a reduction of £199 million compared to 2012-13. The main component of this is £904 million via the investment element of the transport grant. It is unclear whether any reductions will be made to this funding in 2013-14 and 2014-15. The application of this funding is set out in the final draft capital spending plan in section 9.

### Other adjustments

- 6.19 Other adjustments total £225 million and include changes in working capital, debt servicing and revenue generation from disposals.

### Equalities

- 6.20 TfL will publish a full Equality Impact Assessment for the Business Plan. TfL will also publish its Single Equality Statement.

### Environmental impact

- 6.21 TfL has a commitment to both reducing its impact on the environment and working to provide opportunities for others to reduce their impact. TfL's plan includes funding to remove the more polluting buses and the purchase of up to 600 New Buses for London. Tube upgrades target increased energy efficiency and TfL works to provide increased opportunities for cycling and walking.
- 6.22 Most importantly, TfL's provision of a reliable, high capacity transport system provides many options for customers, including public transport and walking / cycling which are lower-carbon modes. These, combined with a commitment to reduce road congestion, will support the development of a more efficient economy in London.

## Section 6 – Transport for London

### Reserves

- 6.23 At 31 March 2013 TfL's general reserves balances are expected to total £162 million. This balance is forecast to remain constant through to 31 March 2015. In addition, TfL is forecast to hold £1,622 million of earmarked reserves at 31 March 2013 which is estimated to reduce to £296 million at 31 March 2015. The expected movements in reserves over the planning period are set out in the table below.

<b>Movement in TfL's reserves during financial year</b>	<b>Outturn 2011-12 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>
<b>Opening balances</b>	<b>673.0</b>	<b>1,017.0</b>	<b>1,784.0</b>	<b>1,300.0</b>
Transfers to/from:				
Earmarked reserves	336.0	767.0	-484.0	-842.0
General reserves	8.0	-	-	-
<b>Closing balances</b>	<b>1,017.0</b>	<b>1,784.0</b>	<b>1,300.0</b>	<b>458.0</b>

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

<b>Total TfL reserves at end of financial year</b>	<b>Outturn 2011-12 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>
Earmarked reserves	855.0	1,622.0	1,138.0	296.0
General reserves	162.0	162.0	162.0	162.0
<b>Total</b>	<b>1,017.0</b>	<b>1,784.0</b>	<b>1,300.0</b>	<b>458.0</b>

## Section 7 – London Legacy Development Corporation

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### Introduction

- 7.1 The London Legacy Development Corporation (“the Legacy Corporation” or “LLDC”) is responsible for promoting and delivering the physical, social, economic and environmental regeneration in the Olympic Park and surrounding area. In particular, by maximising the legacy of the Olympic and Paralympic Games, the LLDC aims to secure 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 convergence.
- 7.2 To achieve these objectives, the Legacy Corporation’s aims are to:
- operate a successful and accessible Park and world-class sporting venues, offering facilities for high-performance and community participation, enticing visitor attractions, and a busy programme of sporting, cultural and community events that will continue to draw crowds to Stratford;
  - create London’s most dynamic urban district, attracting investment from across London and beyond, becoming a location of choice for current residents and new arrivals, acting as a fulcrum for wealth creation and entrepreneurship, and linking the Olympic Park estate with surrounding neighbourhoods; and
  - create local opportunities and transformational change, support convergence across its functions, and ensure value for money for taxpayers.
- 7.3 The Legacy Corporation was established, according to the provisions of the Localism Act 2011, on 1 April 2012, taking on staff and assets from the Olympic Park Legacy Company and the London Thames Gateway Development Corporation (LTGDC). On 1 October 2012, it became the local planning authority for its area, and took on further staff and assets from LTGDC and the Olympic Delivery Authority (ODA). In October 2012, the Legacy Corporation began to take over the Olympic Park and venues in order to deliver its programme of transformational works to clear Games-time overlay from the Park, to connect the Park to the surrounding area with new roads and pathways, and to complete the Park’s venues and parkland to their legacy designs.

### Key deliverables

- 7.4 The Legacy Corporation’s remit and scope of operations is therefore changing significantly during the period covered by this budget submission. Its key deliverables over the next three years are:
- in 2013-14, the Legacy Corporation will continue to deliver transformation works, but also begin to market, re-open and operate the Queen Elizabeth Olympic Park and its venues, to mobilise its development and operation partners, and to develop its planning policy;

## Section 7 – London Legacy Development Corporation

- in 2014-15, the majority of the Park and venues will be re-opened, and the Park and venues will become operational, as the final elements of capital works are completed; and
- in 2015-16, the Park and venues will have their first full year of operations, as the first homes in Chobham Manor are occupied.

### Gross revenue and capital expenditure

- 7.5 The **LLDC's forecast of gross revenue expenditure for 2013-14 is £44.2 million**. This represents an increase of around £16 million compared to its revised budget for 2012-13 and is described directly below. LLDC's Capital Programme – which totals £267million in 2013-14 - is set out in Section 9 as part of the Group-wide Capital Spending Plan and is £113 million higher than in 2012-13. These increases reflect the Mayor's commitment to securing the legacy from the outstandingly successful Olympic and Paralympic Games in summer 2012.

### Net revenue budget and council tax requirement

- 7.6 After deducting fees, charges, its allocated contribution from the GLA, other income and its planned use of reserves, **the LLDC's net expenditure and council tax requirement for 2013-14 is NIL**. Its revenue budget is summarised below on an objective basis.

Objective analysis	Revised Budget 2012-13 £m	Forecast Outturn 2012-13 £m	Budget 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
Park Opening and Operations	9.1	7.7	19.2	18.6	16.7
Real Estate, Regeneration, and Design	3.8	3.4	6.5	4.3	4.0
Corporate and Finance	12.4	11.3	12.2	11.9	13.7
Planning Authority	0.6	0.3	0.9	0.9	0.7
Irrecoverable VAT and contingency	2.2	1.2	5.4	5.7	4.6
New funding/savings to be identified	0.0	0.0	0.0	0.0	-15.4
<b>Total expenditure</b>	<b>28.1</b>	<b>23.9</b>	<b>44.2</b>	<b>41.5</b>	<b>24.3</b>
Real estate income	-0.2	-0.2	-0.5	-1.2	-2.2
Park and venues income	0.0	-0.1	-0.5	-6.3	-6.8
Planning authority income	0.0	0.0	-0.3	-0.3	-0.3
Other income	0.0	0.0	0.0	0.0	0.0
<b>Total income</b>	<b>-0.2</b>	<b>-0.3</b>	<b>-1.3</b>	<b>-7.8</b>	<b>-9.3</b>
<b>Net expenditure</b>	<b>27.9</b>	<b>23.6</b>	<b>42.9</b>	<b>33.6</b>	<b>15.0</b>
Use of reserves	-5.3	-1.2	-5.5	4.5	-4.5
<b>Financing requirement</b>	<b>22.6</b>	<b>22.4</b>	<b>37.4</b>	<b>38.1</b>	<b>10.5</b>
GLA Funding	-22.6	-22.4	-37.4	-38.1	-10.5
<b>Council tax requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Section 7 – London Legacy Development Corporation

### Explanation of budget changes

7.7 An analysis of the year on year movements in council tax requirement is set out below. An explanation of each change is detailed in the paragraphs below. Appendix E sets out:

- A subjective analyses of LLDC’s budget;
- details of savings and efficiencies; and
- an analysis of new initiatives.

<b>Changes in the LLDC’s council tax requirement</b>	<b>£m</b>
<b>2012-13 council tax requirement</b>	<b>0.0</b>
<i>Changes due to:</i>	
Inflation	0.1
Savings	-2.2
Efficiencies	-1.5
New initiatives and service improvements	21.6
Change in use of reserves	-4.3
Increase in Government grants via GLA	-15.0
Other adjustments	1.3
<b>2013-14 net expenditure</b>	<b>0.0</b>

### Inflation

7.8 There is provision for inflation and pay awards in line with the public sector pay guideline and this increases the LLDC budget by £0.1million.

### Savings and efficiencies

7.9 The LLDC is proposing to make £2.2 million of savings and £1.5 million of efficiencies to support its budget in 2013-14. These are outlined in Appendix E together with those planned in 2014-15 and 2015-16.

### New initiatives and service improvements

7.10 The LLDC is proposing £21.6 million of new initiatives and service improvements in 2013-14 – reflecting the additional resources being invested to support the development of the Olympic legacy. These are outlined in Appendix E.

### Change in use of reserves

7.11 LLDC is proposing to drawdown £5.5 million of its reserves in 2013-14 - £4.3million higher than the planned use of reserves in 2012-13.

## Section 7 – London Legacy Development Corporation

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### Changes in Government grants

- 7.12 The LLDC will receive its revenue grant funding via GLA – in line with the sums allocated by the Mayor. The Legacy Corporation’s grant funding is all paid through the GLA, and incorporates grants made available to the GLA through the London Settlement. The total revenue grant available has increased by £15million (from £22.4 million to £37.4 million), reflecting the growth in the scope of Legacy Corporation’s programmes. These allocations are unchanged from the draft budget and are not affected by the outcome of the final local government finance settlement.

### Other adjustments

- 7.13 There are other minor adjustments to the budget relating to miscellaneous items totalling £1.3 million.

### Equalities

- 7.14 Equalities and inclusion initiatives planned by the LLDC in 2013-14 include:
- A built environment access panel to advise on design, planning and development issues; and
  - The first year of an annual Festival of Disability Sport;
  - The recruitment of Paralympic Legacy Ambassadors to promote disabled sports participation.

### Environmental impact

- 7.15 The Legacy Corporation’s policy is that the Park will use the best of the Games’ infrastructure, innovation and inspiration, to provide a pioneering model of urban regeneration promoting sustainable lifestyles through sustainable infrastructure.

### Reserves

- 7.16 As at 31 March 2013 LLDC’s general revenue reserves balance is expected to total £11million. For 2012-13 the Legacy Corporation budgeted to draw down £5.3 million from reserves which had been set aside in the previous year to account for a known reduction in funding for 2012-13. Through managing spending and delays in-year, current projections indicate an actual draw down of up to £1.2million.
- 7.17 The reserves balance is forecast to fall to £5.5 million by 31 March 2014 (to meet a funding shortfall, resulting from the costs of re-opening the Park, the minimal revenue streams available in this year, and carry forward of project scope from 2012-13) and to increase to £10 million by 31 March 2015. LLDC is not expecting to hold any earmarked revenue reserves. The expected movements in reserves over the planning period are set out in the table below.

## Section 7 – London Legacy Development Corporation

<b>Movement in reserves during financial year</b>	<b>Outturn 2011-12 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>	<b>Plan 2015-16 £m</b>
<b>Opening balances</b>	<b>8.1</b>	<b>12.2</b>	<b>11.0</b>	<b>5.5</b>	<b>10.0</b>
Transfers to/from:					
Earmarked reserves	0.0	0.0	0.0	0.0	0.0
General reserves	4.1	-1.2	-5.5	4.5	-4.5
<b>Closing balances</b>	<b>12.2</b>	<b>11.0</b>	<b>5.5</b>	<b>10.0</b>	<b>5.5</b>

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

<b>Total LLDC reserves at end of financial year</b>	<b>Outturn 2011-12 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>	<b>Plan 2015-16 £m</b>
Earmarked reserves	0.0	0.0	0.0	0.0	0.0
General reserves	12.2	11.0	5.5	10.0	5.5
<b>Closing balances</b>	<b>12.2</b>	<b>11.0</b>	<b>5.5</b>	<b>10.0</b>	<b>5.5</b>

## Section 8 – GLA Group - Future Years Funding

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### Introduction

- 8.1 There are four principal sources of uncertainty regarding future years' funding and budgets for the GLA Group: the announcement of a full set of outcomes from the 2010 Spending Review for the period to 2014-15 – particularly for MOPAC and TfL – and for the next Spending Review period for 2015-16 onwards; the impact of business rates retention and the localisation of council tax support which increases the potential volatility in respect of £2.3 billion of the Group's existing funding; uncertainty in respect of the wider economic and financial climate both for London and the wider UK and the ongoing effect of the devolutionary changes introduced in the Localism Act 2011 and Local Government Finance Act 2012 on the Group's finances.
- 8.2 The GLA Group is also embarking on a range of new programmes and initiatives to support economic growth in London, in addition to the ongoing delivery of key infrastructure projects such as Crossrail and the tube upgrade. Examples of these continuing and new initiatives include:
- £300 million for new transport projects that unlock growth and job creation in key areas such as Elephant & Castle and Tottenham;
  - the creation of a new enterprise zone to support economic development and the ongoing regeneration of the Royal Docks;
  - £50 million of investment in Tech City which will assist in creating the largest civic space in Europe alongside a place for start up companies and the local community to come together and become the next generation of entrepreneurs;
  - the extension of the Northern Line to Battersea and Nine Elms supported by a new enterprise zone for the area and a guarantee from the government for the loan of up to £1 billion which will be required to finance the project;
  - improving the reliability of the Tube by 30 per cent by 2015;
  - the London Legacy Development Corporation (LLDC) completing its transformation works and re-opening the Queen Elizabeth Olympic Park and venues; the creation of 200,000 jobs over the course of this Mayoralty; and
  - the delivery of 55,000 affordable homes.
- 8.3 In order to plan for the delivery of these and other programmes and to maintain existing investment in business as usual services such as policing, the day to day operation of the transport network and the fire service, it is important that there is a reasonable degree of certainty around the available level of resources. This section outlines the funding position for the GLA and its functional bodies over the next two years in respect of government grant and business rates and identifies those elements where there remains a significant degree of uncertainty. Other external income (e.g. relating to fares) is addressed in the relevant functional body section.

## **Section 8 – GLA Group - Future Years Funding**

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### **Autumn Statement 2012 and additional reductions to Departmental Expenditure Limits for 2013-14 and 2014-15**

- 8.4 In the Autumn Statement on 5 December 2012 the Chancellor confirmed that departmental expenditure limits (DEL) for non protected services would be reduced by a further 1 per cent in 2013-14 and 2 per cent in 2014-15 compared to the previously announced control totals set out in the 2010 Spending Review. The local government, fire and police sectors (but not TfL as it is funded via Department for Transport DEL) would be protected from this reduction in 2013-14 due to the intended council tax freeze but grant allocations would be reduced in 2014-15 in line with the average 2 per cent reduction.
- 8.5 Details on the spending limits for 2015-16 and 2016-17 will be set out in the next Spending Review – details of which are expected to be published in 2013. These are expected to follow the trajectory for the current spending review period. The Institute for Fiscal Studies has, following the Autumn Statement, estimated that for non protected services the Government's current spending envelope implies a 3 per cent real terms reduction in 2015-16 compared to 2014-15 with a 16 per cent real terms reduction by 2017-18. In setting his 2013-14 budget proposals therefore the Mayor has had regard not just to the in year funding position for 2013-14 but the expectation that grant income will continue to decline until potentially 2018.

### **Final Local Government Finance and Police Settlement for 2013-14**

- 8.6 The provisional local government finance settlement for 2013-14 was published for consultation by the Government on 19 December 2012. The Secretary of State for Communities and Local Government published the final local government and fire finance settlement on 4 February and on the same day the Home Secretary confirmed the police grant allocations. Both settlements were approved by the House of Commons on 13 February through the Local Government Finance and Police Grant reports.
- 8.7 The settlement also provides indicative allocations for 2014-15 in respect of the GLA and LFEPA's general funding and council tax support allocations as well as the funding baselines being included within the rates retention system for the GLA, LFEPA and Transport for London. It has also set out the Government's intentions as to how the additional reductions in funding for 2013-14 (for TfL only as local government was exempted) and 2014-15 (for all three bodies) would be applied in respect of the funding forming part of the settlement. However no indicative allocations were issued in respect of police grant for 2014-15.
- 8.8 The following sections set out the impact of the provisional settlement on each GLA body. It also addresses TfL's funding settlement agreed with the Department for Transport.

### Mayor's Office for Policing and Crime

- 8.9 The Home Office's settlement in the 2010 Spending Review envisaged that aggregate police funding would decline by around 20 per cent in real terms (12 per cent in cash terms) between 2010-11 and 2014-15. MOPAC's general grant funding via police formula grant and Home Office police grant was reduced by 5.1 per cent in 2012-13 and 6.7 per cent in 2013-14 – the same percentage reduction as was applied to all police forces/police authorities. Reductions were also made to specific grants and the Government indicated that the Neighbourhood policing fund (or PCSO) grant would be rolled into general funding from 2013-14.
- 8.10 The Home Office announced in the provisional police grant settlement on 19 December 2012 that general police funding would be reduced by 1.6 per cent in cash terms in 2013-14 – with the same percentage reduction again being applied to all forces. MOPAC was allocated £1,138.4million in Home Office police grant and £821.4 million in police formula grant – resulting in a total general grant allocation for local policing (i.e. excluding resources provided through revenue support grant) of £1,959.8 million. This allocation was around £31million higher than MOPAC's planning assumptions for general grants – and this excess sum has been transferred into its earmarked reserves in the 2013-14 budget and is expected to be applied to manage future reductions in funding. In the final police grant settlement issued on 4 February there was a non material £4 reduction made to MOPAC's principal police formula grant due to rounding adjustments made in the local government finance settlement – the core Home Office Police grant was unchanged.
- 8.11 The Home Secretary also confirmed that she had protected the police from reductions announced by the Chancellor in November 2011 relating to public sector pay restraint. Without this protection on pay restraint, central Government funding for the police would have been £66 million lower nationally in 2013-14 (of which an estimated £17 million would have accrued to MOPAC).
- 8.12 In addition MOPAC has been awarded £119.3million in council tax support grant – reflecting the fact that local policing bodies receive separate allocations for this new funding stream. This grant will be paid in full to MOPAC – and is offset by a matching reduction in its council tax requirement. This reflects the fact that for setting the 2013-14 budget the core GLA will manage the risks and potential downsides of council tax benefit localisation centrally to ensure that there is no adverse impact on the policing and fire budget. Between the provisional and final settlements MOPAC's council tax support grant was reduced by £10,200 - reflecting the consequential impact across all English police, local and fire authorities resulting from an error made in the original allocations for one billing authority in Kent.

## Section 8 – GLA Group - Future Years Funding

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- 8.13 The budget proposals in this document allocate MOPAC £354.5million in specific grant funding in 2013-14 and £9.4million via the Mayor's revenue support grant in respect of the 2011-12 council tax freeze grant. The remaining element of this revenue stream paid via MOPAC formula grant in 2012-13 – which forms part of the rates retention baseline for the GLA Group has been applied to the core GLA budget with an offsetting uplift to the council tax requirement for police services. This delivers on the Government's intention that Police and Crime Commissioners (including MOPAC) will operate outside the new business rates retention system and should therefore not be exposed to any volatility in business rates income. As a result MOPAC's total general grant funding (including this revenue support grant component) is £1.969.2 million.
- 8.14 The Home Office did not make any announcements on the proposed grant allocations for 2014-15 – pending decisions being made on the application of the additional 2 per cent reduction announced in the Autumn Statement and a review more generally of the police funding formula. The Home Office had already indicated that there would be a fundamental review of police funding prior to the 2015-16 settlement and it is therefore possible that significant changes could now be introduced a year earlier.

### **London Fire and Emergency Planning Authority**

- 8.15 LFEPA has historically received all of its core funding from DCLG either through formula grant (£252.1 million in 2012-13 net of council tax freeze grant) or the much smaller fire revenue specific grant. The 2010 Spending Review envisaged that funding via formula grant for fire authorities would decline by up to 25 per cent between 2010-11 and 2014-15.
- 8.16 LFEPA's formula grant was reduced by £8.5 million (3.3 per cent) on a like for like basis in 2011-12 compared to 2010-11 and was increased by £0.4 million (0.2 per cent) in 2012-13. The net impact was a reduction of around 3 per cent in cash terms over the two years – around 60 per cent of the average reduction for fire authorities of just over 5 per cent. This reflected the impact of the introduction of a new funding formula for the 2011-12 settlement which increased the weighting for population density resulting in LFEPA's funding – before the effect of floor damping – increasing.
- 8.17 In December 2011 the Government confirmed that LFEPA – along with other single purpose fire authorities – will form part of the new business rates retention system from April 2013. As a result the annual movement in LFEPA's grant income from 2013-14 onwards will be partially linked to the growth in business rates revenues in London rather than being determined entirely through a national fire funding formula supported by a damping mechanism.

## Section 8 – GLA Group - Future Years Funding

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- 8.18 CLG announced on 19 December 2012 in the provisional settlement that fire formula grant would be reduced by an average of 7.5 per cent in 2013-14. LFEPA, however, received a provisional grant allocation of £242.1million – a reduction of only 4 per cent (or £10million in cash terms). This was the lowest percentage reduction of any fire authority in England by some margin and reflected the impact of use of the new 2011 census population data as well as the ongoing effect of the formula changes introduced in the 2011-12 settlement which increased the weighting for population density. In the final local government finance settlement a non material reduction below £2,000 was made to the fire formula grant component of LFEPA’s funding. LFEPA was also provisionally allocated £7million via the fire revenue specific grant in 2013-14 – which when combined with its PFI grant and other items results in total forecast specific grant income of around £10.9m.
- 8.19 LFEPA has also been allocated £23.3 million of council tax support grant by the Mayor in 2013-14 which is offset by a matching reduction in its council tax requirement to ensure it does not bear any adverse budgetary impact from the localisation of council tax support in its first year. This figure is unchanged from the draft budget and represents its proportionate share of the non police element of this grant based on the 2013-14 precept. In addition, it will also receive around £7million from the ongoing £23.4 million council tax freeze grant allocation for 2011-12. These two items along with its formula grant will form part of the rates retention system – with 40 per cent being funded via this mechanism and 60 per cent via the Mayor’s revenue support grant in 2013-14. At this stage for planning purposes LFEPA’s general grant levels are assumed to be the same in 2015-16 as the provisional figures issued for 2014-15.
- 8.20 Further details on how rates retention will impact on LFEPA’s future funding are set out in Appendices G and H.

### **GLA (Mayor) and Assembly Grant Funding**

- 8.21 The GLA’s general grant for 2013-14 has been confirmed as £45.7million – the same figure as set out in the London settlement agreed by the Mayor with the government in summer 2012. Its 2014-15 general grant however has been reduced by the additional 2 per cent target set out in the Autumn Statement – and will now be £42.6 million (a 6.8 per cent cash reduction compared to 2013-14).
- 8.22 The GLA will also be allocated £17.8million of council tax support (CTS) grant by the Mayor in 2013-14 (i.e. the balance of the £41.1million of non police CTS grant not allocated to LFEPA) to offset the ending of DWP council tax benefit subsidy. This is around £3,500 lower than the allocation in the provisional settlement - again reflecting the consequential impact across all English police, local and fire authorities resulting from an error made in the original allocations for one billing authority in Kent.

## Section 8 – GLA Group - Future Years Funding

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- 8.23 The GLA will manage the budgetary risks and shortfalls associated with the localisation of council tax support on behalf of the Group in setting the 2013-14 budget – with any shortfalls being met via the precept resilience reserve. This along with the General grant will form part of the rates retention system – with 40 per cent being funded via this mechanism and 60 per cent via the Mayor’s revenue support grant in 2013-14. In addition around £7million of the 2011-12 council tax freeze grant has been reallocated from MOPAC to the GLA (offset by a precept readjustment) in order to ensure that MOPAC is funded entirely outside the rates retention system.
- 8.24 The core GLA’s budget assumes it will receive £16.6 million in specific grants in 2013-14. This includes forecast income of £9.5million from the 2013-14 council tax freeze grant announced by the Government in October 2012. This is payable to all authorities which reduce or freeze their council tax in 2013-14 and represents the sum equivalent to what would have been generated through a 1 per cent increase allowing for the year on year movement in the council taxbase. This reward grant is paid for two years (2013-14 and 2014-15) and has been applied to support the Mayor’s precept.
- 8.25 Compared to the Mayor’s draft budget an additional £2 million of specific grant income is reflected in the budget relating to the council tax support transition grant. This is in recognition of the fact that an estimated 18 London billing authorities have agreed council tax support schemes which meet the conditions for this funding – the primary condition being that working age claimants currently in receipt of 100 per cent benefit should be required to pay no more than 8.5 per cent of their council tax liability in 2013-14. This is a one off grant and at this stage it is not anticipated that it will continue in 2014-15. The remaining GLA specific grant income primarily relates to European Union funding streams.

### **Transport for London**

- 8.26 TfL is the only functional body which was awarded a four year settlement through to 2014-15 at the time of the Comprehensive Spending Review announcement in October 2010. This settlement was revised in November 2011 and November 2012 when TfL was awarded additional grant to maintain fare increases below its previous RPI +2 per cent planning assumptions for 2012 and 2013 respectively.
- 8.27 The final local government finance settlement confirmed that £758.5 million of former GLA transport grant would be transferred into the rates retention system along with an indicative figure of £44.3 million in respect of bus operators support grant (approximately 50 per cent of the current London allocation) which is expected to be devolved to TfL from October 2013 subject to consultation. The former had been reduced by around 1.7 per cent compared to the £771 million sum which CLG had indicated would be transferred in respect of GLA transport grant in a policy statement on 21 November.

## **Section 8 – GLA Group - Future Years Funding**

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- 8.28 This reduction reflects the impact of the 1 per cent DEL reduction in 2013-14 and 2 per cent in 2014-15 for non protected services (excluding local government which was exempt from these additional reductions in 2013-14 only) announced in the Autumn statement – in recognition of the fact that sums being transferred into the rates retention baseline are fixed for both years (and in principle subject to changes in business rates revenues until the reset of the retention system in 2020).
- 8.29 This budget assumes that £1,102 million of general (operating) GLA Transport grant will be received for the purposes of TfL in 2013-14 in addition to its rates retention funding along with £48 million of other specific grants in line with the current settlement agreed with the Department for Transport. This excludes the investment grant element of the GLA Transport grant (£904 million in 2013-14) which is applied for capital purposes and an estimated £184 million in respect of Metronet capital funding – both of which are reflected in TfL’s capital spending plan.
- 8.30 On 8 February the Secretary of State for Transport wrote to the Mayor to consult him on proposals to reduce the residual GLA transport grant by £20.5 million in 2013-14 and £35 million in 2014-15 compared to the current approved allocations. These potential revisions have not been reflected in the calculations in this final draft budget as they are provisional. The impact of the final reductions in the residual GLA Transport Grant once confirmed will need to be considered by TfL’s Board and TfL will be required to absorb any reductions made in its budget plans for 2013-14.

### **London Legacy Development Corporation**

- 8.31 The LLDC is funded from GLA resources – however for planning purposes it is assumed that the above changes in the GLA’s funding will not materially affect its resource allocation from the Mayor in the current spending review period.

### **Council tax benefit localisation and technical reforms to Council Tax**

- 8.32 Details on the impact of council tax benefit localisation and the technical reforms to council tax are explained in more detail in Appendix H. The proposed application of the associated council tax support grant to GLA, LFEPA and MOPAC is addressed earlier in this section.

### **Current information on funding allocations announced for the 2012-13 to 2014-15 financial years**

- 8.33 The table on the following page summarises the latest position on the status of the grant settlement information for the remainder of the current CSR period across the GLA Group – and also indicates the uncertainty moving forward for 2015-16. It confirms the primary components and sources of each functional body’s funding from Central Government and what information has been issued so far for 2013-14 onwards.

## Section 8 – GLA Group - Future Years Funding

### Information on Government funding settlements for the GLA and each Functional Body for 2013-14 to 2015-16

Functional Body	Sources of Core Central Government Funding	2013-14	2014-15	2015-16
<b>GLA</b>	GLA general grant (DCLG) paid via Revenue support grant (60 per cent) and rates retention (40 per cent) from 2013-14	Yes	Yes	Partially (rates retention element)
	GLA Housing capital funding	Yes	Yes	No
<b>MOPAC</b>	Home Office Police grant	Yes	No	No
	Home Office Specific grants (including counter-terrorism funding)	Partial	No	No
	Council tax support	Yes	Yes	No
	Formula grant (DCLG)	Yes	No	No
<b>LFEPA</b>	Formula grant (paid via Revenue support grant - 60 per cent - and rates retention - 40 per cent in 2013-14) plus fire revenue specific grant (DCLG)	Yes	Yes	Partially (rates retention element)
<b>TfL</b>	Transport grant (DfT)	Yes*	Yes*	No
	Other specific grants	Yes	Yes	No
	Rates retention funding	Yes	Yes	Yes
<b>LLDC</b>	Via GLA General grant	Yes	Yes	No
<b>Council tax freeze grant for 2013-14</b>	CLG specific grant – final sum dependent on 2013-14 council tax base	Yes	Yes	N/A
<b>Non police Council tax support grant and 2011-12 council tax freeze grant</b>	Paid via Revenue support grant (60 per cent) and rates retention (40 per cent) from 2013-14	Yes	Yes	No

\*The Secretary of State for Transport wrote to the Mayor on 8 February consulting him on proposed reductions to the residual GLA Transport Grant for 2013-14 and 2014-15.

The above table excludes one off grant streams such as the council tax support transition grant.

## **Section 8 – GLA Group - Future Years Funding**

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### **London Finance Commission**

- 8.34 The London Finance Commission chaired by Tony Travers was constituted in summer 2012 and is scheduled to issue its provisional recommendations in Spring 2013. Its aim is to help improve the tax and public spending arrangements for London to promote economic growth. Its conclusions will inform the long term funding and financing strategy and lobbying of the GLA group.

### **Conclusion**

- 8.35 Further details on council tax support and business rates retention and their potential impact on the GLA Group are set out in Appendix H. Details as to how the Mayor has applied the non police revenue support grant and business rates retention funding is set out in Appendix G.

## **Section 9 – Final Draft Capital Spending Plan and Borrowing Limits**

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### **Introduction**

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

### **Key deliverables**

- 9.2 Set out below is a summary of the key deliverables in the Mayor's CSP:
- deliver 55,000 affordable homes;
  - directly investing over £200 million in London's local places and infrastructure via the Growing Places Fund, the Mayor's Regeneration Fund and the Outer London Fund;
  - improving public access to the Police by co-locating front counters;
  - improving the reliability on the Tube by 30 per cent between 2011 and 2015;
  - adding an additional carriage to all London overground trains;
  - continuing to deliver Crossrail which will lead to London's rail network capacity increasing by 10 per cent;
  - delivering up to 600 New Bus for London vehicles as part of a larger programme to roll out 1,600 hybrid buses by 2016; and
  - promoting and delivering the regeneration of the Olympic Park and surrounding area.

### **Final Draft Capital Spending Plan**

- 9.3 Set out overleaf is a summary of the Mayor's Final Draft Capital Spending Plan for 2013-14 which sets out the capital funding sources for the CSP in line with the format required under section 122 of the GLA Act. Further details on the GLA and each functional body's draft plan are set out in Appendices A to E. More details of the key deliverables are set out in this section under each member of the Group and in the relevant Appendices.

## Section 9 – Final Draft Capital Spending Plan and Borrowing Limits

### Final Draft GLA Group Statutory Capital Spending Plan 2013-14 Under Section 122 of the GLA Act (for consultation)

Section		GLA £m	MOPAC £m	LFEP £m	TfL £m	LLDC £m
A	Total external grants	559.8	38.2	9.3	2,193.0	256.9
	Opening balance of capital receipts	0.0	0.0	0.0	0.0	12.8
	Total capital receipts during the year	8.5	40.0	0.0	0.0	1.0
	<b>Total capital grants/ receipts</b>	<b>568.3</b>	<b>78.2</b>	<b>9.3</b>	<b>2,193.0</b>	<b>270.7</b>
B	Minimum s.120(1) grant	0.0	0.0	0.0	0.0	0.0
	Total borrowings during the year	800.0	87.5	6.2	304.0	0.0
	Total borrowings	0.0	0.0	0.0	0.0	0.0
	<b>Total borrowings and credit arrangements</b>	<b>800.0</b>	<b>87.5</b>	<b>6.2</b>	<b>304.0</b>	<b>0.0</b>
C	Total capital expenditure anticipated during the year	1,582.4	171.1	13.8	3,560.0	266.6
	Total credit arrangements	0.0	0.0	10.6	0.0	0.0
	<b>Total capital spending for the year</b>	<b>1,582.4</b>	<b>171.1</b>	<b>24.4</b>	<b>3,560.0</b>	<b>266.6</b>
D	Funding: capital grants	670.0	38.2	6.4	1,088.0	265.6
	Funding: capital receipts/reserves	6.9	43.3	1.2	177.0	1.0
	Funding: borrowings and credit arrangements	800.0	87.5	6.2	304.0	0.0
	Funding: revenue contributions (including Crossrail)	105.5	2.1	10.6	1,991.0	0.0
	<b>Total funding</b>	<b>1,582.4</b>	<b>171.1</b>	<b>24.4</b>	<b>3,560.0</b>	<b>266.6</b>

9.4 Set out below is a summary of the Mayor's final draft Capital Plan to 2015-16 and how this is financed. This shows that overall the GLA Group will be investing around £643 million more in 2013-14, than in 2012-13. This is largely because of TfL's capital investment programme.

Summary of the Final Draft Capital Spending Plan	2012-13 Forecast £m	2013-14 Plan £m	2014-15 Plan £m	2015-16 Plan £m	Total £m
GLA	1,552.8	1,582.4	1,357.0	42.3	4,534.5
MOPAC	201.6	171.1	238.5	152.0	763.2
LFEP	12.2	24.4	16.2	11.8	64.6
TfL*	3,041.0	3,560.0	3,868.6	3,868.6	14,338.2
LLDC	154.1	266.6	117.0	83.4	621.1
<b>Total</b>	<b>4,961.7</b>	<b>5,604.5</b>	<b>5,597.3</b>	<b>4,158.1</b>	<b>20,321.6</b>

\* TfL's capital spending plan for 2015-16 is to be confirmed. For the purposes of this consultation document the total capital spending for that year is assumed to be the same as for 2014-15.

## Section 9 – Final Draft Capital Spending Plan and Borrowing Limits

How the Capital Plan is financed in 2013-14	Borrowing £m	Grants to support capital expenditure £m	Capital Receipts £m	Revenue contributions Crossrail BRS and other funding £m	Total £m
GLA	800.0	670.0	6.9	105.5	1,582.4
MOPAC	87.5	38.2	43.3	2.1	171.1
LFEPA	6.2	6.4	1.2	10.6	24.4
TfL	304.0	1,088.0	177.0	1,991.0	3,560.0
LLDC	0.0	265.6	1.0	0.0	266.6
<b>Total</b>	<b>1,197.7</b>	<b>2,068.2</b>	<b>229.4</b>	<b>2,109.2</b>	<b>5,604.5</b>

### Greater London Authority

- 9.5 There are three main elements to the GLA's Capital Plan of £2.939 billion in 2013-14 and 2014-15, as follows:
- Crossrail – To borrow a further £1.3 billion towards the GLA's contribution to the costs of Crossrail of £4.1 billion. This will be financed by the Crossrail business rate supplement as set out in section 2;
  - Housing programmes, such as Affordable Homes - £588 million and Decent Homes - £540 million. This expenditure will help deliver the Mayor's commitment to deliver 55,000 affordable homes; and
  - Regeneration programmes of some £263 million, which includes investment in London's local places and infrastructure via the Growing Places Fund, the Mayor's Regeneration Fund and the Outer London Fund, together with settling Compulsory Purchase Orders arising from the Olympic site.
- 9.6 The Assembly has expressed concern about the progress on the delivery of the Mayor's affordable homes target. The Mayor remains committed to meeting his target of 55,000 affordable homes by the end of 2015 and will monitor progress closely.
- 9.7 Details of the GLA's Capital Plan to 2015-16, together with the financing costs of the Programme, are set out at Appendix A. Details of the GLA's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

## **Section 9 – Final Draft Capital Spending Plan and Borrowing Limits**

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### **MOPAC**

- 9.8 The main elements of MOPAC's Capital Plan over the next three years are to meet the renewal needs of the current ageing infrastructure and support new initiatives to meet the requirements of Total Policing and the emerging demand to support the Met Change Programme and the One Met model.
- 9.9 MOPAC's Capital Plan is critical to improving public access to the Police by co-locating front counters in hospitals, fire stations, council housing estate offices, libraries, supermarkets and other appropriate locations. The Capital Plan also includes the release of underutilised assets to both help reduce costs and allow re-investment to support the re-organisation of the MPS.
- 9.10 Details of MOPAC's Capital Plan to 2015-16, together with the financing costs of the Programme, are set out at Appendix B. Details of MOPAC's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

### **London Fire and Emergency Planning Authority**

- 9.11 LFEPA's Capital Plan for the next three years of £52.4 million includes the following investment over the next 3 years:
- An assumed Energy Efficiency Programme of £6.1 million;
  - Two new training facilities, provided by a finance lease of £10.6 million; and
  - The purchase of the Control and Mobilising System of £7.7 million.
- 9.12 Details of LFEPA's Capital Plan to 2015-16, together with the financing costs of the Programme, are set out at Appendix C. Details of LFEPA's Authorised Limit and Operational Boundary for external debt are also set out in that Appendix.

### **Transport for London**

- 9.13 The main elements of TfL's Capital Plan of £3,560 million in 2013-14, are:
- Investment in Rail, Underground and Tube Lines of £1,533 million ; and
  - Expenditure on Crossrail of £1,562 million.
- 9.14 The increase in TfL's capital investment in 2013-14 of £519 million is principally as a result of additional capital expenditure on streets of £164 million, Crossrail of £115 million and on London Overground of £108m. The key deliverables in TfL's Capital Plan are:
- upgrading the Northern and sub-surface tube lines;
  - adding an additional carriage to all London overground trains and increase service frequencies;

## **Section 9 – Final Draft Capital Spending Plan and Borrowing Limits**

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- upgrading the stations at Tottenham Court Road, Bank, Victoria, Paddington and Bond Street;
- continuing to deliver Crossrail, which will transform rail capacity and journey times;
- delivering up to 600 New Bus for London vehicles as part of a larger programme to roll out 1,600 hybrid buses by 2016; and
- £300 million for new transport projects that will unlock jobs and growth in key areas such as the Elephant and Castle and Tottenham.

9.15 Crossrail is delivered in partnership with the DfT, and full funding details are provided in TfL's Business Plan.

9.16 Details of the TfL's Capital Plan to 2015-16, together with the financing costs of the Programme, are set out at Appendix D. Details of TfL's Authorised Limit and Operational Boundary for external debt are also set out at Appendix D.

### **London Legacy Development Corporation**

9.17 The Legacy Corporation aims to deliver a great legacy for the Olympic Park and venues, to create a dynamic new urban district and to effect transformational change in support of convergence for local people. The Legacy Corporation aims for financial stability and viability in its revenue budgets and for the return of capital receipts to the GLA over the long term. The main elements of LLDC's Capital Plan of £266.6 million in 2013-14, and over the medium term are as follows:

- The completion of the transformation of the Queen Elizabeth Olympic Park and venues, including works to ensure the long-term financial viability of venues (e.g. Stadium) and to maximise use of the Park (e.g. South Park Plaza and hub);
- Investment in infrastructure and other planning commitments to support the cost-effective delivery of future phases of housing and receipts to the GLA; and
- Additional regeneration projects in the surrounding area to complement and connect with the revitalised Park.

9.18 The Legacy Corporation's capital spending plans are intended to meet these objectives. A significant proportion of capital expenditure is now committed through transformation contracts, with the fit-out and conversion of the press and broadcast centre and the stadium as significant outstanding items.

9.19 There are several conditions which would have to be met before any agreement with the preferred bidder for the Stadium could be concluded including resolution of the final funding package. This will therefore be part of the ongoing commercial negotiations with it and wider stakeholders.

## **Section 9 – Final Draft Capital Spending Plan and Borrowing Limits**

9.20 Details of the LLDC's Capital Plan to 2015-16 are set out at Appendix E. This also includes a proposed Authorised Limit and Operational Boundary for external debt of nil for the LLDC.

### **Conclusion**

9.21 The Mayor's final capital spending plan will be published on or before 28 February as required under sections 122 and 123 of the GLA Act. A copy will also be sent to the Secretary of State. The final borrowing limits will be approved via a separate Mayoral Decision before 31 March 2013 in line with the requirements of the Local Government Act 2003.

## Appendix A: Greater London Authority: Mayor and London Assembly

**Table 1: Mayor - Subjective analysis**

	Revised Budget 2012-13	Forecast Outturn 2012-13	Budget 2013-14	Plan 2014-15	Plan 2015-16
Subjective analysis	£m	£m	£m	£m	£m
Staff costs	38.1	39.7	35.9	35.9	35.8
Premises costs	20.1	20.1	18.4	17.7	17.7
Supplies and services	176.1	153.3	101.5	101.3	62.6
Transfer payments to third parties:					
Olympic funding agreement	58.6	58.6	61.0	61.0	61.0
London Waste and Recycling Board	1.5	1.5	1.5	1.5	-
Museum of London	7.6	7.6	7.6	7.6	7.6
London and Partners	14.0	14.0	11.9	11.9	11.9
Capital financing costs:					
Capital financing costs Crossrail	101.0	101.0	144.0	190.0	190.0
Capital financing costs Other	5.8	2.4	7.9	7.9	7.9
Minimum revenue provision	-	-	12.3	12.4	12.4
Business rates retention tariff and forecast levy payment	-	-	342.3	342.3	342.3
<b>Total revenue expenditure</b>	<b>422.8</b>	<b>398.2</b>	<b>744.3</b>	<b>789.5</b>	<b>749.2</b>
Sales fees and charges	-1.0	-0.7	-0.6	-0.6	-0.6
Rental income	-3.0	-3.0	-3.4	-2.8	-2.8
Public sector funding package	-41.8	-41.8	-	-	-
Crossrail BRS	-101.0	-101.0	-144.0	-190.0	-190.0
Interest receivable	-1.7	-14.2	-2.3	-2.0	-2.0
Business rates income applied to fund tariff/levy payment	-	-	-342.3	-342.3	-342.3
Other income	-17.3	-16.7	-2.9	-3.2	-3.2
<b>Total income</b>	<b>-165.8</b>	<b>-177.3</b>	<b>-495.5</b>	<b>-540.9</b>	<b>-540.9</b>
<b>Net cost of services</b>	<b>257.0</b>	<b>220.9</b>	<b>248.8</b>	<b>248.6</b>	<b>208.4</b>
Transfer to/from reserves (excluding precept resilience)*	-52.0	-28.4	-95.8	-89.7	-53.0
Transfer to Precept resilience reserve	0.0	12.5	24.2	11.8	11.8
<b>Mayor's Financing requirement</b>	<b>205.0</b>	<b>205.0</b>	<b>177.2</b>	<b>170.7</b>	<b>167.2</b>
Specific grants	-39.8	-39.8	-16.6	-19.3	-15.8
GLA General grant	-44.7	-44.7	0.0	0.0	0.0
Retained business rates (funding)	0.0	0.0	-29.8	-30.0	-30.0
Revenue support grant	0.0	0.0	-35.8	-32.1	-32.1
<b>Basic Council tax requirement</b>	<b>120.5</b>	<b>120.5</b>	<b>95.0</b>	<b>89.3</b>	<b>89.3</b>
Collection fund surplus	-9.7	-9.7	-10.4	0.0	0.0
<b>Statutory council tax requirement</b>	<b>110.7</b>	<b>110.7</b>	<b>84.6</b>	<b>89.3</b>	<b>89.3</b>

\*Transfers from reserves in 2012-13 include use of £16.2m of LDA general fund balances brought forward.

## Appendix A: Greater London Authority: Mayor and London Assembly

**Table 2: Mayor - Savings & efficiencies**

Savings and efficiencies	2013-14	2014-15	2015-16
	£m	£m	£m
Staff costs	1.9	1.9	1.9
Premises costs	0.1	0.1	0.1
Programmes	2.5	2.6	4.1
External services	0.7	0.7	0.7
Other supplies & services	0.3	0.3	0.3
Audit fees	0.1	0.1	0.1
Contingency reduction	0.6	0.6	0.6
Additional Interest receivable	1.0	1.0	1.0
<b>Total</b>	<b>7.1</b>	<b>7.2</b>	<b>8.7</b>

**Table 3: Assembly - Subjective analysis**

	Revised Budget 2012-13	Forecast Outturn 2012-13	Budget 2013-14	Plan 2014-15	Plan 2015-16
Subjective analysis	£m	£m	£m	£m	£m
Staff costs	6.3	6.3	6.1	6.1	6.1
Supplies and services	1.6	1.6	1.5	1.5	1.5
<b>Total revenue expenditure</b>	<b>7.9</b>	<b>7.9</b>	<b>7.6</b>	<b>7.6</b>	<b>7.6</b>
<b>Total income</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
Savings to be identified			-	-0.3	-0.3
<b>Financing requirement</b>	<b>7.7</b>	<b>7.7</b>	<b>7.4</b>	<b>7.1</b>	<b>7.1</b>
Specific grants					
GLA General grant	-5.1	-5.1	-	-	-
Retained business rates	-	-	-2.0	-2.0	-2.0
Revenue grant	-	-	-2.8	-2.6	-2.6
<b>Council tax requirement</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>

**Table 4: Assembly - Savings & efficiencies**

Savings and efficiencies	2013-14	2014-15	2015-16
	£m	£m	£m
Staff costs	0.2	0.2	0.2
Premises costs	0.1	0.1	0.1
<b>Total</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

**Table 5: GLA's final draft capital spending plan**

<b>GLA final draft capital plan</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16*</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
City Hall	1.0	0.7	0.6	0.6
London Waste and Recycling Board	2.0	0.0	0.0	0.0
Museum of London	1.3	1.0	0.7	0.0
Crossrail	819.0	875.0	530.0	9.0
Local Enterprise Partnership	0.0	100.2	1.1	0.0
National Affordable Housing Programme	326.6	167.4	51.2	0.0
Affordable Homes	182.5	81.8	287.6	0.0
First Buy	18.2	0.0	0.0	0.0
Mortgage rescue	17.2	0.0	0.0	0.0
Decent Homes Backlog	154.5	194.5	345.5	0.0
Traveller Pitch	0.9	0.0	0.7	0.0
Homelessness Change	3.9	1.2	7.7	0.0
Custom Build	1.7	1.7	1.7	0.0
Empty Homes - main programme	3.6	5.1	6.6	0.0
Property & Regeneration	35.0	8.1	12.2	0.0
Other projects	25.2	48.1	18.3	14.0
Super Connected Cities Project	0.0	0.0	25.0	0.0
Old Street Roundabout Project	0.0	10.0	40.0	0.0
Compulsory Purchase Orders	41.7	30.5	11.8	0.0
Repayment of borrowing	0.0	0.0	0.0	10.5
Estimated slippage	-81.5	57.1	16.3	8.2
<b>Total capital expenditure</b>	<b>1,552.8</b>	<b>1,582.4</b>	<b>1,357.0</b>	<b>42.3</b>
<b>Funding:</b>				
Crossrail Business Rate Supplement (Revenue contribution)	-119.0	-75.0	-30.0	-9.0
Prudential borrowing (Crossrail)	-700.0	-800.0	-500.0	0.0
LDA CPO provision at 31 March 2012	-41.6	-30.5	-7.2	0.0
Capital Receipts	-0.6	-6.9	-70.9	-33.3
CLG Capital Grant (Growing places fund)	-0.0	-100.2	-1.1	0.0
CLG Capital grant (Other)	-691.6	-569.8	-747.8	0.0
<b>Total capital funding</b>	<b>- 1,552.8</b>	<b>-1,582.4</b>	<b>-1,357.0</b>	<b>-42.3</b>

\* Until such time as funding for the next Comprehensive Spending Review is announced, it is not possible to estimate how much funding will be available for housing capital beyond 2014-15.

## Appendix A: Greater London Authority: Mayor and London Assembly

**Table 6: Financing costs of the GLA's Capital Programme**

Capital financing costs	2013-14	2014-15	2015-16
	£m	£m	£m
Minimum revenue provision for debt repayment	12.3	12.4	12.4
External interest (Non Crossrail)	7.9	7.9	7.9
External interest (Crossrail - financed by BRS)	144.0	190.0	190.0
<b>Total financing costs</b>	<b>164.2</b>	<b>210.3</b>	<b>210.3</b>

**Table 7: GLA's Authorised limit for external debt**

	2012-13	2012-13	2013-14	2014-15	2015-16
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Revised	Proposed	Proposed	Proposed
	£m	£m	£m	£m	£m
Borrowing	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>4,000.0</b>	<b>4,000.0</b>	<b>4,000.0</b>	<b>4,000.0</b>	<b>4,000.0</b>

**Table 8: GLA's Operational limit for external debt**

	2012-13	2012-13	2013-14	2014-15	2015-16
	Current	Revised	Proposed	Proposed	Proposed
	Approval	Revised	Proposed	Proposed	Proposed
	£m	£m	£m	£m	£m
Borrowing	2,700.0	2,700.0	3,500.0	4,000.0	4,000.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>2,700.0</b>	<b>2,700.0</b>	<b>3,500.0</b>	<b>4,000.0</b>	<b>4,000.0</b>

## Appendix B: Mayor's Office for Policing and Crime

**Table 1: MOPAC - Subjective analysis**

<b>Subjective analysis</b>	<b>Budget 2012-13 £m</b>	<b>Forecast 2012-13 £m</b>	<b>Budget 2013-14 £m</b>	<b>Plan 2014-15 £m</b>	<b>Plan 2015-16 £m</b>
Total pay and overtime	2,726.9	2,638.6	2,515.2	2,527.3	2,495.7
Total running expenses	807.0	824.1	662.4	631.5	614.9
Capital financing costs	57.4	57.5	54.0	61.0	61.0
<b>Total expenditure</b>	<b>3,591.3</b>	<b>3,520.2</b>	<b>3,231.6</b>	<b>3,219.8</b>	<b>3,171.5</b>
<b>Income</b>					
Interest Receipts	-0.8	-0.8	-0.8	-0.8	-0.8
Other Income	-299.3	-292.0	-296.3	-296.3	-296.3
<b>Total income</b>	<b>-300.1</b>	<b>-292.8</b>	<b>-297.1</b>	<b>-297.1</b>	<b>-297.1</b>
Discretionary pension costs	33.1	41.8	38.3	38.3	38.3
<b>Net expenditure</b>	<b>3,324.3</b>	<b>3,269.2</b>	<b>2,972.8</b>	<b>2,961.0</b>	<b>2,912.7</b>
Transfer to/ from reserves	-30.1	-3.0	27.3	-32.4	-18.9
<b>Financing requirement</b>	<b>3,294.2</b>	<b>3,266.2</b>	<b>3,000.1</b>	<b>2,928.6</b>	<b>2,893.8</b>
Specific grants (Home office)	-693.0	-665.0	-354.5	-347.9	-347.9
Council tax support specific grant	0.0	0.0	-119.3	-119.3	-119.3
Home Office police grant	-1,051.6	-1,051.6	-1,138.4	-1,084.1	-1,049.3
Police formula grant	-854.6	-854.6	-821.4	-815.1	-815.1
Business rate retention	0.0	0.0	0.0	0.0	0.0
Revenue support grant	0.0	0.0	-9.4	-9.4	-9.4
<b>Council tax requirement</b>	<b>695.0</b>	<b>695.0</b>	<b>557.1</b>	<b>552.8</b>	<b>552.8</b>

## Appendix B: Mayor's Office for Policing and Crime

**Table 2: MOPAC - Savings**

<b>Savings</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Inanimates	-26.9	-55.5	-65.9
Process improvement	-21.3	-52.2	-52.2
Operational capability and outsourcing/joint ventures	-12.8	-11.9	-11.9
Other	-63.0	-63.0	-63.0
<b>Total savings</b>	<b>-124.0</b>	<b>-182.6</b>	<b>-193.0</b>

**Table 3: MOPAC - Efficiencies**

<b>Efficiencies</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Inanimates	-15.0	-72.0	-111.0
Process improvement	-58.2	-59.1	-63.1
Operational capability and outsourcing/joint ventures	-64.7	-58.7	-95.8
Other	0.0	0.0	0.0
<b>Total efficiencies</b>	<b>-137.9</b>	<b>-189.8</b>	<b>-269.9</b>

**Table 4: MOPAC - New initiatives**

<b>New Initiatives</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Inanimates	1.2	1.2	1.2
Process improvement	0.7	1.2	2.4
Outsourcing/joint venture	0.0	0.0	0.0
Operational capability	3.8	3.8	4.0
Other	0.0	0.0	0.0
<b>Total new initiatives</b>	<b>5.7</b>	<b>6.2</b>	<b>7.6</b>

## Appendix B: Mayor's Office for Policing and Crime

**Table 5: MOPAC's final draft capital plan**

MOPAC's final draft capital plan	Forecast Outturn 2012-13 £m	Proposed Programme 2013-14 £m	Proposed Plan 2014-15 £m	Proposed Plan 2015-16 £m
<b>Business Group</b>				
Territorial Policing	34.2	21.2	36.0	15.9
Specialist Crime and Operations	10.5	20.0	41.3	4.7
Specialist Operations - Counter Terrorism	11.4	3.2	1.8	2.0
Specialist Operations - General	4.7	6.7	0.3	0.0
Olympics	1.2	0.0	0.0	0.0
Directorate of Resources - Property Services	2.0	16.1	1.3	0.3
Directorate of Resources - Other	4.2	0.6	0.0	0.0
Directorate of Information - Infrastructure	1.6	2.2	1.0	0.0
Directorate of Information - General	8.9	4.1	6.5	3.5
Human Resources	0.3	0.2	0.0	0.0
All Business Groups - Corporate	119.4	107.5	116.7	74.5
<b>Total</b>	<b>198.4</b>	<b>181.8</b>	<b>204.9</b>	<b>100.9</b>
Less overprogramming (-ve)/headroom (+ve)	3.2	-10.7	33.6	51.1
<b>Grand total</b>	<b>201.6</b>	<b>171.1</b>	<b>238.5</b>	<b>152.0</b>
<b>Funding:</b>				
Capital receipts	-58.0	-40.0	-40.0	-40.0
Prudential Borrowing	-61.8	-87.5	-166.4	-80.0
Capital reserves	0.0	0.0	0.0	0.0
Capital grants & other contributions	-67.9	-41.5	-32.1	-32.0
Revenue contributions	-13.9	-2.1	0.0	0.0
<b>Total funding</b>	<b>-201.6</b>	<b>-171.1</b>	<b>-238.5</b>	<b>-152.0</b>

**Table 6: Financing costs of MOPAC's Capital Plan**

Capital financing costs	2013-14 £m	2014-15 £m	2015-16 £m
Minimum revenue provision for debt repayment	26.5	29.2	33.9
External interest	18.0	22.1	26.7
<b>Total financing costs</b>	<b>44.5</b>	<b>51.3</b>	<b>60.6</b>

## Appendix B: Mayor's Office for Policing and Crime

**Table 7: MOPAC's Authorised limit for external debt**

	2012-13 Current Approval £m	2012-13 Revised £m	2013-14 Proposed £m	2014-15 Proposed £m	2015-16 Proposed £m
Borrowing	528.9	566.1	627.0	764.2	810.3
Long term liabilities	111.8	111.8	108.1	104.1	99.8
<b>Total</b>	<b>640.7</b>	<b>677.9</b>	<b>735.1</b>	<b>868.3</b>	<b>910.1</b>

**Table 8: MOPAC's Operational limit for external debt**

	2012-13 Current Approval £m	2012-13 Revised £m	2013-14 Proposed £m	2014-15 Proposed £m	2015-16 Proposed £m
Borrowing	403.9	441.1	502.0	639.2	685.3
Long term liabilities	111.8	111.8	108.1	104.1	99.8
<b>Total</b>	<b>515.7</b>	<b>552.9</b>	<b>610.1</b>	<b>743.3</b>	<b>785.1</b>

## Appendix C: London Fire and Emergency Planning Authority

**Table 1: LFEPA - Subjective analysis**

Subjective analysis	Revised Budget 2012-13 £m	Forecast 2012-13 £m	Budget 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
Operational staff	268.8	268.4	264.6	268.5	269.0
Other staff	53.5	54.6	46.2	46.3	46.3
Employee related	3.8	4.0	5.5	2.8	2.8
Pensions	19.0	19.9	21.1	22.2	24.4
Premises	31.0	30.8	30.9	30.3	32.5
Transport	24.7	24.0	25.3	25.3	25.3
Supplies and services	40.7	40.9	40.1	39.9	39.9
Third party payments	1.3	1.3	1.2	1.2	1.2
New initiatives	0.0	0.0	0.0	0.0	0.0
Savings to be allocated	0.0	0.0	-5.7	-34.4	-43.9
Capital financing costs	11.0	11.0	10.9	11.2	11.5
Central contingency against inflation	6.1	2.8	5.0	10.5	16.0
<b>Total revenue expenditure</b>	<b>459.7</b>	<b>457.8</b>	<b>445.1</b>	<b>423.8</b>	<b>425.0</b>
<b>Total income</b>	<b>-29.4</b>	<b>-30.1</b>	<b>-30.1</b>	<b>-32.9</b>	<b>-34.1</b>
<b>Net revenue expenditure</b>	<b>430.2</b>	<b>427.7</b>	<b>415.0</b>	<b>390.9</b>	<b>390.9</b>
Use of reserves	-36.2	-33.6	-3.3	-1.0	-1.0
<b>Financing Requirement</b>	<b>394.0</b>	<b>394.1</b>	<b>411.7</b>	<b>389.9</b>	<b>389.9</b>
Financed by:					
Formula grant	-259.1	-259.1	0.0	0.0	0.0
Specific grants (inc fire revenue grant)	-14.2	-14.3	-10.9	-10.9	-10.9
Revenue support grant	0.0	0.0	-163.5	-142.2	-142.2
Retained Business Rates	0.0	0.0	-108.9	-108.7	-108.7
<b>Council tax requirement</b>	<b>120.7</b>	<b>120.7</b>	<b>128.4</b>	<b>128.1</b>	<b>128.1</b>

**Table 2: LFEPA - Savings**

Savings	2013-14 £m	2014-15 £m	2015-16 £m
Procurement savings	0.5	0.5	0.5
Cost avoidance	1.1	0.7	0.7
Establishment savings	4.3	1.9	1.9
Income	0.0	0.0	0.0
Other	0.0	0.0	0.0
<b>Total savings</b>	<b>5.9</b>	<b>3.1</b>	<b>3.1</b>

## Appendix C: London Fire and Emergency Planning Authority

**Table 3: LFEPA - Efficiencies**

Efficiencies	2013-14 £m	2014-15 £m	2015-16 £m
Procurement efficiencies	1.0	0.6	0.6
Cost avoidance	3.7	3.7	3.7
Establishment efficiencies	2.7	2.7	2.7
Income	0.5	0.9	0.9
Other	0.1	0.1	0.1
<b>Total efficiencies</b>	<b>8.0</b>	<b>7.9</b>	<b>7.9</b>

**Table 4: LFEPA's final draft capital plan**

LFEPA final draft capital plan	Forecast Outturn 2012-13 £m	Plan 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
IT projects	2.3	3.5	6.6	1.1
Community fire safety	0.0	0.0	0.0	0.0
New Respiratory Protection Equipment	0.0	0.0	0.0	0.0
Resilience projects	0.5	0.3	0.0	0.0
Refurbishment of fire stations	3.0	2.8	5.4	7.8
Extensions of fire stations	0.7	0.0	0.0	0.0
New/Replacement fire stations	0.4	3.8	1.5	0.0
London Safety Plan	0.3	0.0	0.0	0.0
Other property projects	1.7	0.8	0.4	1.0
Sustainability projects	2.3	1.1	1.1	0.0
Minor improvements programme	1.0	0.5	0.2	1.0
Contingency programme	0.0	1.0	1.0	0.9
PFI	0.0	0.0	0.0	0.0
Service concessions	0.0	10.6	0.0	0.0
Other projects	0.0	0.0	0.0	0.0
<b>Total project spend</b>	<b>12.2</b>	<b>24.4</b>	<b>16.2</b>	<b>11.8</b>
Less Over-programming	0.0	0.0	0.0	0.0
<b>Total capital expenditure</b>	<b>12.2</b>	<b>24.4</b>	<b>16.2</b>	<b>11.8</b>
Funding:				
Capital receipts	-1.3	-1.2	0.0	0.0
Borrowing	-2.6	-6.2	-11.3	-8.0
Capital grants	-8.3	-6.4	-4.9	-3.8
Revenue and other contributions	0.0	-10.6	0.0	0.0
<b>Total funding</b>	<b>-12.2</b>	<b>-24.4</b>	<b>-16.2</b>	<b>-11.8</b>

## Appendix C: London Fire and Emergency Planning Authority

**Table 5: Capital financing costs of LFEPA's final draft capital plan**

LFEPA Capital financing costs	2013-14 £m	2014-15 £m	2015-16 £m
External interest and MRP	10.9	11.2	11.5
<b>Total financing costs</b>	<b>10.9</b>	<b>11.2</b>	<b>11.5</b>

**Table 6: LFEPA's Authorised limit for external debt**

	2012-13 Current Approval £m	2012-13 Revised £m	2013-14 Proposed £m	2014-15 Proposed £m	2015-16 Proposed £m
Borrowing	139.0	139.0	139.0	140.0	140.0
Long term liabilities	90.0	90.0	93.0	93.0	93.0
<b>Total</b>	<b>229.0</b>	<b>229.0</b>	<b>232.0</b>	<b>233.0</b>	<b>233.0</b>

**Table 7: LFEPA's Operational limit for external debt**

	2012-13 Current Approval £m	2012-13 Revised £m	2013-14 Proposed £m	2014-15 Proposed £m	2015-16 Proposed £m
Borrowing	139.0	139.0	139.0	135.0	135.0
Long term liabilities	90.0	90.0	93.0	93.0	93.0
<b>Total</b>	<b>229.0</b>	<b>229.0</b>	<b>232.0</b>	<b>228.0</b>	<b>228.0</b>

## Appendix D: Transport for London

**Table 1: TfL - Subjective Analysis**

Subjective analysis	Budget	Forecast	Budget	Budget
	2012-13	2012-13	2013-14	2014-15
	£m	£m	£m	£m
<b>Income</b>				
Fares Revenue	-3,794.0	-3,835.0	-4,089.0	-4,329.0
Congestion Charging	-146.0	-147.0	-148.0	-144.0
Enforcement Income	-122.0	-117.0	-129.0	-126.0
Taxi & Private Hire and VCS fees	-35.0	-33.0	-32.0	-34.0
Advertising Income	-130.0	-133.0	-147.0	-161.0
Rental Income	-57.0	-48.0	-54.0	-55.0
Other Income	-129.0	-145.0	-174.0	-214.0
<b>Sub total income</b>	<b>-4,413.0</b>	<b>-4,458.0</b>	<b>-4,773.0</b>	<b>-5,063.0</b>
<b>Operating Expenditure</b>				
Employee Expenses	1,792.0	1,769.0	1,810.0	1,859.0
Premises	300.0	283.0	301.0	301.0
PFI Payments	273.0	382.0	257.0	255.0
Bus Contract Payments (incl BSOG)	1,753.0	1,763.0	1,817.0	1,895.0
CCS & Other Road Contracted Services	316.0	340.0	305.0	323.0
Asset Maintenance & Local Authority Payments	458.0	495.0	598.0	600.0
Professional and Consultancy fees	89.0	98.0	83.0	99.0
Management Consultancy & Development fees	104.0	111.0	97.0	78.0
Ticket Commissions	51.0	48.0	55.0	58.0
Customer Information	53.0	55.0	40.0	41.0
National Rail Payments	15.0	6.0	8.0	8.0
Franchise Payments	220.0	213.0	227.0	234.0
Information and Communication Technology	234.0	229.0	220.0	268.0
Insurance	44.0	40.0	38.0	40.0
Traction Current	98.0	88.0	103.0	109.0
Other Expenses	-57.0	-116.0	-31.0	-20.0
Bad debt provision	57.0	47.0	56.0	55.0
<b>Total operating expenditure</b>	<b>5,800.0</b>	<b>5,851.0</b>	<b>5,984.0</b>	<b>6,203.0</b>
<b>Net operating expenditure</b>	<b>1,387.0</b>	<b>1,393.0</b>	<b>1,211.0</b>	<b>1,140.0</b>
Group Items and third parties	469.0	256.0	399.7	356.3
Revenue Surplus for capital use	227.0	478.0	348.1	175.8
<b>Total financing requirement</b>	<b>2,083.0</b>	<b>2,127.0</b>	<b>1,958.8</b>	<b>1,672.1</b>
Financed by				
GLA Transport grant (general grant)	-1,948.0	-1,954.0	-1,102.0	-827.0
Other Specific grants	-129.0	-167.0	-48.0	-36.3
Retained business rates	0.0	0.0	-802.8	-802.8
<b>Council tax requirement</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>

Note: VCS is Victoria Coach station, BSOG is bus operators support grant and CCS is congestion charging scheme.

## Appendix D: Transport for London

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**Table 2: TfL - Savings and efficiencies**

<b>Savings and efficiencies</b>	<b>2013-14 Budget £m</b>	<b>2014-15 Plan £m</b>
Rail and Underground	105.0	173.0
Surface Transport	29.0	28.0
Corporate and Group Wide	0.0	93.0
<b>Total gross savings and efficiencies</b>	<b>134.0</b>	<b>294.0</b>

Note: The previous TfL business plan committed TfL to a £7.6 billion savings programme (2009-10 to 2017-18). Further identification of savings means that £9.8 billion has already been secured.

## Appendix D: Transport for London

**Table 3: Application of Net Congestion Charging Revenue by TfL**

It is anticipated that net revenue (after direct operating costs) of £115m will be generated from the Congestion Charge in 2013-14. An indicative attribution on how this revenue will be applied in line with the Congestion Charging scheme order is shown below.

	<b>2013-14 £m</b>
<b>Congestion Charging</b>	
<b>Bus network improvements:</b>	
TfL will continue to keep the bus network under regular review. Priorities will be to maintain ease of use, attractive frequencies, adequate capacity, reliability of services and good coverage. The New Bus for London roll out commences in 2013-14, with a further 600 buses to be in service by May 2016.	93
<b>Borough plans:</b>	
The boroughs control 95 per cent of the Capital's road network, so the successful delivery of the Mayor's Transport Strategy will demand close partnership working to achieve the outcomes for which the Mayor strives.	8
<b>Roads and bridges:</b>	
TfL will continue to support a programme for improving the quality of street conditions and bridges, including reconstructing and resurfacing carriageways and footways, plus upgrading and strengthening structures. Road maintenance and renewal will continue, while bridge and tunnel safety schemes at several locations will be developed.	10
<b>Road safety:</b>	
Investment will continue in road safety measures on TfL and borough roads via Local Investment Plan (LIP) funding, in conjunction with measures adopted by the police and boroughs. Initiatives to reduce road casualties include engineering schemes at accident hotspots and road safety campaigns.	1
<b>Walking and cycling:</b>	
TfL will continue a programme of improvements for pedestrians, both on its own roads and on borough roads. Investment will be made to promote the benefits of walking, making it easier to plan and undertake journeys on foot, and deliver a safe, comfortable, attractive street environment. Investment will continue in projects designed to create and sustain an environment that enhances the attractiveness of cycling including the further development of Barclays Cycle Hire scheme and Barclays Cycle Superhighways.	3
<b>Congestion Charge net revenue</b>	<b>115</b>

## Appendix D: Transport for London

**Table 4: Summary of TfL's final draft capital spending plan**

TfL	Forecast Outturn	Plan	Plan
Final draft capital spending plan	2012-13	2013-14	2014-15
	£m	£m	£m
Rail and Underground and Tube Lines	1,317.7	1,533.8	1,591.2
Surface Transport	138.9	335.2	566.3
Corporate	137.4	129.0	78.1
Crossrail	1,447.0	1,562.0	1,633.0
<b>Total capital expenditure</b>	<b>3,041.0</b>	<b>3,560.0</b>	<b>3,868.6</b>
<b>Funding:</b>			
Capital receipts/property sales	-57.3	-176.9	-81.2
Grants to support capital expenditure	-1,287.0	-1,088.0	-928.0
Borrowing	-417.0	-304.0	-375.0
Crossrail funding sources (incl GLA contributions)	-2,033.0	-2,009.0	-1,600.0
Revenue contributions (including use of reserves and third party contributions)	-478.0	-348.0	-176.0
Working capital and reserves movements	1,231.3	365.9	-708.4
<b>Total funding</b>	<b>-3,041.0</b>	<b>-3,560.0</b>	<b>-3,868.6</b>

Details of each mode's Capital Plans are set out below.

## Appendix D: Transport for London

**Table 5: Rail and Underground and Tube Lines final draft capital plan**

Draft LUL/Tube Lines Capital Spending Plan	Forecast	Plan	Plan
	Outturn	2013-14	2014-15
	2012-13	2013-14	2014-15
	£m	£m	£m
Line Upgrades	544.1	605.3	600.3
Stations Upgrades	272.0	280.3	334.2
Power, Cooling & Comms	98.7	90.1	84.3
Infrastructure	108.5	175.4	182.8
Reliability & Customer Facing Programmes	32.9	105.3	164.5
Central Rephasing	-51.9	-187.8	-175.9
DLR	30.8	22.0	19.9
London Overground	24.4	131.9	74.1
Trams	11.5	21.8	15.4
Emirates Air Line	15.5	0.0	0.0
Tubelines	231.2	289.5	291.6
<b>Total capital expenditure</b>	<b>1,317.7</b>	<b>1,533.8</b>	<b>1,591.2</b>

**Table 6: Surface Transport final draft capital plan**

Draft Surface Transport Capital Spending Plan	Forecast	Plan	Plan
	Outturn	2013-14	2014-15
	2012-13	2013-14	2014-15
	£m	£m	£m
Buses	23.1	63.4	111.6
Streets	105.4	269.3	352.7
Cycle Hire	17.1	15.9	5.0
Other	-6.7	-13.4	97.0
<b>Total capital expenditure</b>	<b>138.9</b>	<b>335.2</b>	<b>566.3</b>

## Appendix D: Transport for London

**Table 7: TfL Corporate Final Draft capital Plan**

Draft TfL Corporate Capital Spending Plan	Forecast Outturn	Plan	Plan
	2012-13	2013-14	2014-15
	£m	£m	£m
Customer Experience, Marketing & Communications	10.8	18.9	4.9
Commercial Development	76.7	46.5	7.1
Integrated transport smartcard	6.8	6.3	2.6
Future ticketing project	25.2	25.2	21.8
TfL Information Management	17.9	28.5	29.1
Other	0.0	3.6	12.6
<b>Total capital expenditure</b>	<b>137.4</b>	<b>129.0</b>	<b>78.1</b>

**Table 8: Capital financing costs of TfL's Final Draft Capital Plan**

TfL Capital financing	Revised budget	Forecast Outturn	Plan	Plan
	2012-13	2012-13	2013-14	2014-15
	£m	£m	£m	£m
Minimum revenue provision and external interest	326.0	293.0	344.3	382.0
<b>Total financing costs</b>	<b>326.0</b>	<b>293.0</b>	<b>344.3</b>	<b>382.0</b>

**Table 9: TfL's Authorised limit for external debt**

	2012-13	2012-13	2013-14	2014-15	2015-16
	Current Approval	Revised	Proposed	Proposed	Proposed
	£m	£m	£m	£m	£m
Borrowing	8,832.0	8,832.0	9,117.0	9,827.0	10,326.0
Long term liabilities	392.0	392.0	346.0	253.0	253.0
<b>Total</b>	<b>9,224.0</b>	<b>9,224.0</b>	<b>9,463.0</b>	<b>10,080.0</b>	<b>10,579.0</b>

## Appendix D: Transport for London

**Table 10: TfL's Operational limit for external debt**

	2012-13 Current Approval £m	2012-13 Revised £m	2013-14 Proposed £m	2014-15 Proposed £m	2015-16 Proposed £m
Borrowing	7,679.0	7,679.0	8,024.0	8,674.0	9,173.0
Long term liabilities	392.0	392.0	346.0	253.0	253.0
<b>Total</b>	<b>8,071.0</b>	<b>8,071.0</b>	<b>8,370.0</b>	<b>8,927.0</b>	<b>9,426.0</b>

Note: TfL limits for 2015-16 are indicative and are based on projected financing requirements for that year.

## Appendix E: London Legacy Development Corporation

**Table 1: LLDC - Subjective analysis**

Subjective analysis	Budget 2012-13 £m	Forecast 2012-13 £m	Budget 2013-14 £m	Plan 2014-15 £m	Plan 2015-16 £m
Employee expenses	8.2	8.2	8.3	7.7	7.4
Premises costs	0.7	0.7	0.8	0.8	0.8
Supplies and services	19.2	15.0	35.1	33.0	31.5
<b>Total revenue expenditure</b>	<b>28.1</b>	<b>23.9</b>	<b>44.2</b>	<b>41.5</b>	<b>39.7</b>
Other income	-0.4	-0.3	-1.3	-7.8	-24.7
<b>Total income</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-1.3</b>	<b>-7.8</b>	<b>-24.7</b>
<b>Net revenue expenditure</b>	<b>27.7</b>	<b>23.6</b>	<b>42.9</b>	<b>33.6</b>	<b>15.0</b>
Use of reserves	-5.3	-1.2	-5.5	4.5	-4.5
<b>Total Financing requirement</b>	<b>22.4</b>	<b>22.4</b>	<b>37.4</b>	<b>38.1</b>	<b>10.5</b>
GLA Funding	-22.4	-22.4	-37.4	-38.1	-10.5
<b>Council Tax Requirement</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Table 2: LLDC - Savings and Efficiencies**

LLDC Savings and efficiencies	2013-14	2014-15	2015-16
Park Opening and Operations	1.3	12.5	2.7
Real Estate, Regeneration, and Design	0.8	4.0	1.4
Planning Authority	0.3	0.1	0.2
Corporate and Finance	1.3	1.2	2.1
<b>Total savings and efficiencies</b>	<b>3.7</b>	<b>17.8</b>	<b>6.4</b>

**Table 3: LLDC – New initiatives**

LLDC New Initiatives	2013-14	2014-15	2015-16
Park Opening and Operations	12.4	6.1	0.3
Real Estate, Regeneration, and Design	3.9	1.0	0.0
Corporate and Finance	1.1	0.6	2.2
Planning Authority	0.4	0.0	0.0
Irrecoverable VAT and contingency	3.8	0.8	0.5
Income changes	0.0	0.1	0.1
<b>Total new initiatives</b>	<b>21.6</b>	<b>8.6</b>	<b>3.1</b>

## Appendix E: London Legacy Development Corporation

**Table 4: LLDC's final draft capital plan**

LLDC's final draft capital plan	Forecast Outturn 2012-13	Budget 2013-14	Plan 2014-15	Plan 2015-16
	£m	£m	£m	£m
<b>Expenditure</b>				
Park Opening and Operations	107.4	189.4	97.9	65.7
Real Estate, Regeneration, and Design	22.4	27.2	15.6	15.1
Corporate and Finance	1.7	0.4	0.3	0.3
Irrecoverable VAT and contingency	22.6	49.6	3.1	2.2
<b>Total expenditure</b>	<b>154.1</b>	<b>266.6</b>	<b>117.0</b>	<b>83.4</b>
<b>Funding</b>				
Capital Grant (GLA)	-152.1	-265.6	-62.0	0.0
Other grants and funding	0.0	0.0	-43.7	-57.0
Capital Receipts	-2.0	-1.0	-11.3	-26.4
<b>Total funding</b>	<b>-154.1</b>	<b>-266.6</b>	<b>-117.0</b>	<b>-83.4</b>

**Table 5: Capital financing costs of LLDC's Draft Capital Plan**

LLDC Capital financing costs	Budget 2013-14	Plan 2014-15	Plan 2015-16
Debt repayment	0.0	0.0	0.0
Capital financing and interest costs	0.0	0.0	0.0
<b>Total financing costs</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Table 6: LLDC's Authorised limit for external debt**

	2012-13 Current Approval	2012-13 Revised	2013-14 Proposed	2014-15 Proposed	2015-16 Proposed
	£m	£m	£m	£m	£m
Borrowing	0.0	0.0	0.0	0.0	0.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Appendix E: London Legacy Development Corporation

**Table 7: LLDC's Operational limit for external debt**

	2012-13 Current Approval £m	2012-13 Revised £m	2013-14 Proposed £m	2014-15 Proposed £m	2015-16 Proposed £m
Borrowing	0.0	0.0	0.0	0.0	0.0
Long term liabilities	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Appendix F: Savings and Efficiencies

### Introduction

The Mayor has committed to make ongoing and recurring annual savings of £600 million by May 2016 from general savings, shared services and collaborative procurement across the GLA Group. The total planned savings and efficiencies to 2015-16, where available, across the Group are summarised below. These figures represent new incremental savings from 2013-14 which are then accumulated to 2016. They are the latest actual savings proposed by members of the GLA Group, not the target savings required to be made over this period.

The total planned savings and efficiencies to 2015-16 (2014-15 for TfL) across the Group are summarised below.

<b>Savings</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA: Mayor	2.4	2.4	2.4
GLA: London Assembly	0.0	0.0	0.0
MOPAC	124.0	182.6	193.0
LFEPa	5.9	3.1	3.1
TfL	0.0	0.0	N/A
LLDC	2.2	3.6	2.7
<b>Total</b>	<b>134.5</b>	<b>191.7</b>	<b>201.2</b>

<b>Efficiencies</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA: Mayor	4.7	4.8	6.3
GLA: London Assembly	0.3	0.3	0.3
MOPAC	137.9	189.8	269.9
LFEPa	8.0	7.9	7.9
TfL	134.0	294.0	N/A
LLDC	1.5	14.2	3.7
<b>Total</b>	<b>286.4</b>	<b>511.0</b>	<b>288.1</b>

<b>Savings and efficiencies</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA: Mayor	7.1	7.2	8.7
GLA: London Assembly	0.3	0.3	0.3
MOPAC	261.9	372.4	462.9
LFEPa	13.9	11.0	11.0
TfL	134.0	294.0	N/A
LLDC	3.7	17.8	6.4
<b>Total</b>	<b>420.9</b>	<b>702.7</b>	<b>489.3</b>

## Appendix F: Savings and Efficiencies

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### Shared Services

There has been extensive collaborative work undertaken to develop the shared services agenda across the GLA Group. This has taken the form of services being undertaken by a shared services arrangement led by a member of the Group in respect of: legal procurement, exchequer services, financial systems, payroll, internal audit, treasury management, secretariat and member support services.

However it is also important to recognise collaboration and the sharing of services beyond the group. For example collaboration between TfL and London boroughs, the MPS and other police forces and between the GLA and the City of Westminster in respect of facilities management. In addition there are formal contractual relationships that have been established such as in respect of transport policing between MOPAC and TfL.

The Mayor has sought to target specific areas of shared services activity across the Group in this budget round.

Set out below is a summary of the reports the Mayor required from members of the GLA Group on progress on three specific areas of shared services activity.

A target was set for audit services across the Group to make savings of £2.3 million by 2014-15. This represented a 20 per cent reduction in costs. The costs of audit services for 2013-14 will be £8.6 million, which represents a saving of £2.9 million or 25 per cent on the baseline budget for 2010-11.

A target was set to secure staff costs savings in procurement across the Group by working collaboratively of £3.75 million in 2013-14, increasing to £7.5 million in 2014-15. This represented a 20 per cent reduction in staffing costs. The procurement workstream has already surpassed its £3.75 million target for 2013-14. A series of activities to develop detailed plans to deliver additional savings in 2014-15 is underway.

A target was set to establish a Single Property Unit across the Group to deliver £54 million of savings in 2014-15, with no explicit target for 2013-14. From the work undertaken there is an emerging consensus on the objectives of the Single Unit. In addition, a number of 'quick wins' have been agreed for delivery.

## Appendix G: Summary of Revenue Expenditure and Financing

### Introduction

The table below summarises how the net expenditure (financing requirement) and council tax requirement is calculated for the GLA and each functional body in 2013-14.

### Net financing requirement for 2013-14

	Gross expenditure	Other income	Net expenditure before use of reserves	Use of Reserves	Net expenditure after use of reserves
	£m	£m	£m	£m	
<b>Mayor's Office for Policing and Crime</b>	<b>3,269.9</b>	<b>-297.1</b>	<b>2,972.8</b>	<b>27.3</b>	<b>3,000.1</b>
Greater London Authority (Mayor and Assembly)	751.9	-495.6	256.2	-71.6	184.6
London Fire and Emergency Planning Authority	445.1	-30.1	415.0	-3.3	411.7
Transport for London	6,731.8	-4,773.0	1,958.8	0.0	1,958.8
London Legacy Development Corporation	44.2	-38.7	5.5	-5.5	0.0
<b>Total Other Services</b>	<b>7,973.0</b>	<b>-5,337.5</b>	<b>2,635.5</b>	<b>-80.4</b>	<b>2,555.1</b>
<b>Total GLA Group</b>	<b>11,242.9</b>	<b>-5,634.6</b>	<b>5,608.3</b>	<b>-53.1</b>	<b>5,555.2</b>

Note GLA gross expenditure includes £342.3m of tariff payments to CLG in respect of rates retention. This is not applied for the purposes of the Group.

### Council tax requirement and Band D council tax amounts

	Net expenditure after use of reserves	Specific Government Grants	General Government Grants	Retained Business Rates	Council Tax Requirement	Band D Amount
	£m	£m	£m	£m	£m	£
<b>Mayor's Office for Policing and Crime</b>	<b>3,000.1</b>	<b>-473.8</b>	<b>-1,969.2</b>	<b>0.0</b>	<b>557.1</b>	<b>216.92</b>
Greater London Authority (Mayor and Assembly)	184.6	-16.6	-38.6	-31.8	97.6	37.90
London Fire and Emergency Planning Authority	411.7	-10.9	-163.5	-108.9	128.4	49.87
Transport for London	1,958.8	-1,150.0	0.0	-802.8	6.0	2.33
London Legacy Development Corporation	0.0	0.0	0.0	0.0	0.0	0.00
Net Collection fund (surplus)/deficit	-10.4	0.0	0.0	0.0	-10.4	-4.02
<b>Total other services</b>	<b>2,544.7</b>	<b>-1,177.5</b>	<b>-202.1</b>	<b>-943.5</b>	<b>221.6</b>	<b>86.08</b>
<b>Total GLA Group</b>	<b>5,544.8</b>	<b>-1,651.3</b>	<b>-2,171.3</b>	<b>-943.5</b>	<b>778.7</b>	<b>303.00</b>

2012-13 Council Tax: £306.72

Please note that figures in the tables above may not sum exactly due to rounding. GLA expenditure is presented gross of collection fund surplus whereas in the statutory calculation in Part 1 this income is treated as GLA Mayor income.

## Appendix G: Summary of Revenue Expenditure and Financing

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 Boroughs - represents the sum of:

- revenue grants from the Government. These include general government grants (the Home Office police grant, police formula grant and revenue support grant) and specific grants (including the revenue element of the GLA transport grant);
- retained business rates; and
- each body's share of the Council Tax precept.

<b>Net revenue expenditure (financing requirement)</b>	<b>Revised Budget 2012-13 £m</b>	<b>Proposed 2013-14 £m</b>	<b>Plan 2014-15 £m</b>	<b>Plan 2015-16 £m</b>
GLA	212.7	184.6	177.8	174.3
MOPAC	3,286.4	3,000.1	2,928.6	2,893.8
LFEPa	394.0	411.7	389.9	389.9
TfL	2,083.0	1,958.8	1,672.1	1,672.1
LLDC	22.4	0.0	0.0	0.0
Collection fund (surplus)/deficit	-9.7	-10.4	0.0	0.0
<b>Net revenue expenditure</b>	<b>5,988.8</b>	<b>5,544.8</b>	<b>5,168.4</b>	<b>5,130.1</b>

\*For illustrative purposes only TfL's 2015-16 net revenue expenditure is assumed to be the same as that for 2014-15.

### Government grants

The tables overleaf summarise the final grant allocations which the GLA and each functional body are forecast to receive from central government in 2013-14 and 2014-15. These represent the sums paid outside the business rates retention system and reflect the final local government, fire and police settlements approved by Parliament.

The most significant grants are:

- The GLA transport grant paid to TfL under section 101 of the GLA Act;
- Home office police specific grant funding for counter-terrorism, designated security post and other funding for MOPAC relating to the MPS's national policing responsibilities;
- Home Office police general grant; and
- Revenue support grant – which comprises around 60 per cent of the funding received through the former GLA general grant, LFEPa formula grant, the 2011-12 council tax freeze grant and the new council tax support grant

## Appendix G: Summary of Revenue Expenditure and Financing

### Analysis of Government grants for 2013-14 (excluding rates retention funding)

	GLA Transport Grant (operating element)	Other Specific revenue grants	Home Office Police grant (general)	Home Office Formula grant (general)	Revenue Support Grant (general)	Total
	£m	£m	£m	£m	£m	£m
<b>Mayor's Office for Policing and Crime</b>	<b>0.0</b>	<b>473.8</b>	<b>1,138.4</b>	<b>821.4</b>	<b>9.4</b>	<b>2,443.0</b>
Greater London Authority (Mayor and Assembly)	0.0	16.6	0.0	0.0	38.6	55.3
London Fire and Emergency Planning Authority	0.0	10.9	0.0	0.0	163.5	174.4
Transport for London	1,102.0	48.0	0.0	0.0	0.0	1,150.0
London Legacy Development Corporation	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Other Services</b>	<b>1,102.0</b>	<b>75.6</b>	<b>0.0</b>	<b>0.0</b>	<b>202.1</b>	<b>1,379.7</b>
<b>Total GLA Group</b>	<b>1,102.0</b>	<b>549.4</b>	<b>1,138.4</b>	<b>821.4</b>	<b>211.5</b>	<b>3,822.7</b>

### Analysis of Government grants 2014-15 (excluding rates retention funding)

	GLA Transport Grant (operating element)	Specific revenue grants	Home Office Police grant (general)	Home Office Formula grant (general)	Revenue Support Grant (general)	Total
	£m	£m	£m	£m	£m	£m
<b>Mayor's Office for Policing and Crime</b>	<b>0.0</b>	<b>467.2</b>	<b>1,084.1</b>	<b>815.1</b>	<b>9.4</b>	<b>2,375.8</b>
Greater London Authority (Mayor and Assembly)	0.0	19.3	0.0	0.0	34.7	54.0
London Fire and Emergency Planning Authority	0.0	10.9	0.0	0.0	142.2	153.1
Transport for London	827.0	36.3	0.0	0.0	0.0	863.3
London Legacy Development Corporation	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Other Services</b>	<b>827.0</b>	<b>66.5</b>	<b>0.0</b>	<b>0.0</b>	<b>176.9</b>	<b>1,070.4</b>
<b>Total GLA Group</b>	<b>827.0</b>	<b>533.7</b>	<b>1,084.1</b>	<b>815.1</b>	<b>186.3</b>	<b>3,446.2</b>

## Appendix G: Summary of Revenue Expenditure and Financing

### Rates Retention Funding

The table below illustrates that the £943.5 million included in the GLA Group's rates retention funding baseline has been allocated for 2013-14 on the same basis as in 2012-13. The exception being the new council tax support grant for non police services which has been allocated between GLA and LFEPA in line with their respective precept shares in 2013-14.

In addition £6.5 million of the 2011-12 council tax freeze grant included in the retention baseline which was included in MOPAC's formula grant in 2012-13 will be paid to the GLA in 2013-14 in order to ensure – in line with the policy elsewhere in England – that local policing bodies is not be financed via rates retention. MOPAC's council tax requirement has been increased (offset by a reduction to the GLA's allocation) to ensure the amount of funding available to it is unchanged.

### Provisional Allocation of Rates Retention Funding in 2013-14

	GLA	TfL	LFEPA	MOPAC	LLDC	Total
	£m	£m	£m	£m	£m	£m
Former GLA Transport grant+	0.0	758.5	0.0	0.0	0.0	758.5
Former GLA General grant*	18.3	0.0	0.0	0.0	0.0	18.3
Former LFEPA formula grant*	0.0	0.0	96.8	0.0	0.0	96.8
Non police Council tax support grant*	7.0	0.0	9.3	0.0	0.0	16.3
Bus operators support grant (BSOG)	0.0	44.3	0.0	0.0	0.0	44.3
2011-12 council tax freeze grant*	6.5	0.0	2.8	0.0	0.0	9.3
<b>Total</b>	<b>31.8</b>	<b>802.8</b>	<b>108.9</b>	<b>0.0</b>	<b>0.0</b>	<b>943.5</b>

\*These sums represent 40 per cent of the 2013-14 allocation for the former GLA general grant, LFEPA formula grant and council tax support grant for non police services – the balance being paid via revenue support grant. MOPAC receives its council tax support grant funding separately as a local policing body.

+50 per cent of general element of GLA Transport Grant for 2014-15 (excluding additional grant provided to mitigate fare reductions and after applying an additional reduction to the overall total having regard to the changes to departmental spending limits announced in the 2012 Autumn Statement).

The 2013-14 allocations are based on the baseline funding allocations set out in the final local government finance settlement. The 33 London billing authorities submitted their business rates forecast returns for 2013-14 at the end of January. In most cases the forecasts were generally in line with the business rates baselines calculated in the local government settlement but there were a small number of authorities where there were significant variations - either because significant new developments had come on stream in the last 18 months which were not reflected in the business rates baseline calculations - or because of the impact of higher than average assumptions on appeals reflecting local circumstances.

## Appendix G: Summary of Revenue Expenditure and Financing

Overall the aggregate forecast rates income estimated by billing authorities totalled £1,251.3million - which after applying the tariff payment payable to CLG of £342.3m - leaves £908.9 million available to support GLA group services. This is £34.6 million lower than the baseline funding allocations set out in the table above.

Due to the impact of appeals there is considerable uncertainty over what the final yield from retained business rates will be for 2013-14 at this stage. In addition the final statutory regulations prescribing how the retained business rates system will operate will not be laid before Parliament until March 2013 - after the final budget is agreed.

The Mayor is committed to delivering the baseline allocations in the table above in 2013-13 - but a final decision will be taken on the sums available to be distributed once billing authorities supply their 2013-14 forecast outturn information for both business rates and council tax in January 2014.

With the exception of a marginal adjustment of £0.2 million between GLA and LFEPA in respect of council tax support in 2014-15 due to a change in the non police precept shares between the two bodies the allocations for 2014-15 are identical to those for 2013-14 as set out below.

### Provisional Allocation of Rates Retention Funding in 2014-15

	GLA	TfL	LFEPA	MOPAC	LLDC	Total
	£m	£m	£m	£m	£m	£m
Former GLA Transport grant+	0.0	758.5	0.0	0.0	0.0	758.5
Former GLA General grant*	18.3	0.0	0.0	0.0	0.0	18.3
Former LFEPA formula grant*	0.0	0.0	96.8	0.0	0.0	96.8
Non police Council tax support grant*	7.2	0.0	9.1	0.0	0.0	16.3
Bus operators support grant (BSOG)	0.0	44.3	0.0	0.0	0.0	44.3
2011-12 council tax freeze grant*	6.5	0.0	2.8	0.0	0.0	9.3
<b>Total</b>	<b>32.0</b>	<b>802.8</b>	<b>108.7</b>	<b>0.0</b>	<b>0.0</b>	<b>943.5</b>

### Council tax calculations

The difference between net revenue expenditure and the sum of grant funding from the Government and through retained business rates represents the amount to be raised from Council Taxpayers. This sum is recovered by issuing precepts on the City of London and the 32 London boroughs (i.e. the council tax requirement) which are the statutory billing authorities for council tax, national non domestic rates and the Crossrail Business Rate Supplement in the capital.

## Appendix G: Summary of Revenue Expenditure and Financing

There are two sets of Council Tax calculations because the Metropolitan Police District does not include the City of London which has its own police force. 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 table above. Details of the Council Tax Requirement for police services and other services are set out below.

### Council tax requirement for police services

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

<b>Council Tax for police services</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Net financing requirement	3,294.2	3,000.1	2,928.6	2,893.8
Government grants and Retained Business Rates	-2,599.2	-2,443.0	-2,375.8	-2,341.0
<b>Amount for police services</b>	<b>695.0</b>	<b>557.1</b>	<b>552.8</b>	<b>552.8</b>

This is equivalent to a band D Council Tax of **£216.92** for 2013-14 in the 32 London boroughs (£228.10 in 2012-13).

### Council tax requirement for other services

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

<b>Council Tax for other services</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
GLA, LFEPA, LLDC and TfL net expenditure	2,778.8	2,555.1	2,239.8	2,236.3
Government grants and Retained Business Rates	-2,529.0	-2,323.1	-2,013.9	-2,010.4
Share of borough net collection fund surplus/deficit	-9.7	-10.4	0.0	0.0
<b>Amount for other services</b>	<b>240.1</b>	<b>221.6</b>	<b>225.9</b>	<b>225.9</b>

This is equivalent to a band D Council Tax of **£86.08** for 2013-14 in the City and the 32 London boroughs (£78.62 in 2012-13) after dividing the requirement by the forecast Band D council tax base.

### Summary of proposed council tax by Band

The total combined council tax for police and other services is £303.00 for 2013-14 in the 32 London boroughs. This represents a decrease of £3.72 or 1.2 percent compared to the precept for 2012-13 of £306.72.

Council taxpayers in the City of London pay the other services element only. This has been increased by £7.46 from £78.62 to £86.08 – an increase of 9.5 per cent in percentage terms. The change in the precept in the City reflects the impact of rebalancing the precept shares between police and fire offset by the adjustments made to provide for the risks and uncertainties associated with council tax benefit localisation and business rates retention – partly offset by the reduction in the core GLA element to deliver the precept reduction in the 32 boroughs.

## Appendix G: Summary of Revenue Expenditure and Financing

The proposed amounts of council tax for different valuation bands in 2013-14 compared to 2012-13 are shown below for both the 32 London boroughs and for council tax payers in the City of London:

### For Council taxpayers in the 32 London boroughs

Band	2013-14	2012-13	Annual decrease
Band A	£202.00	£204.48	-£2.48
Band B	£235.67	£238.56	-£2.89
Band C	£269.33	£272.64	-£3.31
<b>Band D</b>	<b>£303.00</b>	<b>£306.72</b>	<b>-£3.72</b>
Band E	£370.33	£374.88	-£4.55
Band E	£437.67	£443.04	-£5.37
Band G	£505.00	£511.20	-£6.20
Band H	£606.00	£613.44	-£7.44

### For Council Taxpayers in the City of London (excluding police precept)

Band	2013-14	2012-13	Annual change
Band A	£57.38	£52.41	£4.97
Band B	£66.95	£61.15	£5.80
Band C	£76.51	£69.88	£6.63
<b>Band D</b>	<b>£86.08</b>	<b>£78.62</b>	<b>£7.46</b>
Band E	£105.20	£96.09	£9.11
Band F	£124.33	£113.56	£10.77
Band G	£143.46	£131.03	£12.43
Band H	£172.16	£157.24	£14.92

### Description of the New Financial Regime

#### Business Rates Retention

From April 2013, the Government is changing the way in which local government is funded through the introduction of the business rates retention scheme. The local government sector (including local authorities, fire and rescue authorities and the Greater London Authority Group but excluding police services) will now be able to directly benefit from supporting local business growth as they will now be able to keep half of any increases in business rates to invest in local services.

Under the existing system applying for 2012-13 some £22 billion of business rates is collected by Councils and passed to the Government which re-distributes this sum back to local government using a needs based formula grant. From 2013-14 there will be no difference in the way businesses will pay their rates bill or the way the tax is set. However, 50 per cent of business rates revenues – around £11 billion – will be allocated to local authorities through the ‘local rates retention system’. The balance will be used by the Government to finance residual revenue support grant for the GLA, fire and local authorities and to fund police formula grant as well as a proportion of some specific grants, including council tax support.

The objective of this new regime is that local authorities should be able to retain a significant proportion of the increase in their business rates revenue to incentivise and reward them for delivering economic growth in their area. However, growth in rates which will be retained locally is limited to physical growth – for example arising from new developments and regeneration programmes – which leads to a real terms increase in the business rates base. Changes in business rates income at each five yearly revaluation, due to relative movements in rental values, will not be retained locally. This reflects the fact that revaluations are revenue neutral at the national level in real terms as no additional revenue is generated due to the offsetting adjustment made to the National non domestic rating (NNDR) multiplier (or taxrate).

The 2013-14 local government finance settlement is the first under the new scheme. It provides each local authority with its starting position under the business rates retention scheme. This includes the following calculations, which will be fixed until the planned reset of the system in 2020 when the funding baselines will be recalculated to take into account changes in needs, population and other factors which the Government so determines in the intervening period:

- the Individual authority start-up funding assessment;
- the Baseline funding level;
- the Individual authority business rates baseline;
- Tariffs and top-ups (uprated annually by RPI)
- the Levy ratio; and the
- the Safety net guarantee funding level.

## Appendix H: New Financial Regime

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The final settlement also provides local and fire authorities with information on how much Revenue Support Grant they have been allocated in 2013-14 as well as provisional allocations for 2014-15. Police funding continues to be funded on the same basis in 2013-14 as in 2012-13 and the GLA has designed its funding allocations to ensure that MOPAC operates outside the retention system in line with the position for other police forces in England.

The GLA's start up funding assessment represents the baseline funding for non police services which will be financed through business rates in 2013-14. This was set at £1,155 million in the settlement and comprises £758.5 million of former GLA Transport grant, £242.1 million of LFEPAs formula grant, £45.7 million of GLA General Grant, £41.1 million of non police council tax support grant, £44.4 million of bus operators support grant and £23.4 million for the 2011-12 council tax freeze grant.

Of this figure £211.5 million (comprising 60 per cent of the LFEPAs formula, GLA general, council tax support and council tax freeze grant allocations) will be paid in 2013-14 as revenue support grant for the Mayor on an unringfenced basis. This will be allocated on the same basis as for the corresponding 2012-13 grants – including £9.4 million to be paid to MOPAC in respect of its share of the 2011-12 council tax freeze grant in 2012-13. This funding will be scaled back – as is reflected in the 2014-15 indicative allocations – to meet the Government's spending control totals in the next Spending Review period.

The remaining £943.5 million of the start up funding allocation represents the amount to be included in the rates retention system for the Mayor and GLA Group – this is termed 'the baseline funding level'. This includes both transport funding streams and the residual elements (i.e. 40 per cent) of the other grants not being paid via revenue support grant.

It was agreed between the Mayor and the 33 London billing authorities through London Councils that the GLA would receive 40 per cent of the local (50 per cent) share of business rates revenues in the capital – with boroughs and the Corporation of London retaining the remaining 60 per cent.

After making an adjustment for potential appeals and forecast rates reliefs the Government has calculated an individual authority business rates baseline for the GLA Group and other English local and fire authorities. This has been determined by multiplying the 'Estimated business rates aggregate' by each billing authority's forecast share of business rates revenues using a two year average for 2010-11 and 2011-12 (the proportionate share). For each of the 33 London billing authorities the calculated business rates baseline is then apportioned with the GLA using the agreed 60 per cent billing authority to 40 per cent GLA apportionment. On this basis the GLA's business rates baseline at the start of the system has been determined at £1,285.8 million.

A system of 'tariffs' and 'top-ups' is to be introduced to equalise and protect authorities in different circumstances. Authorities whose business rates baseline exceeds their baseline funding level will pay a tariff. Authorities whose baseline funding exceeds their business rates baseline will receive a top up payment.

## Appendix H: New Financial Regime

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Tariff and top-ups therefore enable a one-off distribution of resources at the outset of the scheme and ensure that each local authority receives its baseline funding level on day one. Tariff and top-ups will be fixed until the system is reset but, in line with the business rates multiplier, will be updated each year by the increase in RPI as at the previous September. In London seven boroughs (mostly in central London), the City of London and the GLA will be tariff authorities and the remaining 25 will be top up authorities. The GLA's tariff payment was forecast to be £342.3 million in 2013-14 in the provisional settlement (the difference between its rates baseline of £1,285.8 million and its funding baseline of £943.5 million) – rising annually by RPI as at the previous September in line with the uplift to the NNDR multiplier.

A 'disproportionate benefits levy will also limit the potential gains of tariff authorities. This is to reflect the different gearing effects for individual authorities – for example a 1 per cent growth in business rates revenues would potentially generate over £5 million of additional resource for the City of Westminster but only £150,000 for the London Borough of Lewisham.

The levy rate is calculated using the following formula – with the maximum levy rate being set at 50 percent:

$$\text{Levy rate} = 1 - \frac{\text{baseline funding level}}{\text{individual authority business rates baseline}}$$

The levy rate for the GLA is 26.6 per cent provisionally – and therefore it will retain 73.4 per cent of any growth in its rates baseline and pay the difference to CLG. Top up authorities will retain the entire growth in their local share. In light of the forecast returns from London billing authorities the GLA is not budgeting on the basis that it will need to make a levy payment in 2013-14.

Business rates revenues can of course go down as well as up. This can arise because of a number of factors including the closure of a major employer, the demolition or refurbishment of a major development or because of refunds – potentially backdated several years – payable to rate payers arising from corrections to the rating list valuation for their property or due to changes in national rating policy.

In order to protect authorities against this volatility the Government has put in place a safety net or floor on the maximum reduction an authority will bear locally year on year. Under this safety net no authority will be permitted to see its baseline funding level drop by more than 7.5 per cent in real terms (equivalent to £71 million for the GLA in 2013-14). This protection will be provided through a safety net payment. In light of the forecast returns from London billing authorities the GLA is not budgeting on the basis that it will receive a safety net payment in 2013-14.

All growth on the 50 per cent local share of business rates will be retained by each local authority locally up to 2020 – subject to the levy rate applying to tariff authorities. The GLA will receive a 20 per cent share of any growth or bear 20 per cent of any downside of the retained business rates in the London area (i.e. 50 per cent of its 40 per cent share).

## **Appendix H: New Financial Regime**

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The GLA will receive its business rates income directly from the 33 London billing authorities. The accounting and reporting arrangements will operate on a similar basis to council tax – with a budgeted forecast being used to determine in year instalments with any variations in the forecast outturn (whether a surplus or deficit) being adjusted for in the following year's instalments.

As set out in Appendix G the 33 London billing authorities supplied their forecast revenues for 2013-14 at the end of January 2013. Overall the forecast rates income estimated by billing authorities totalled £1,251.3million - which after applying the tariff payment payable to CLG of £342.3m - leaves £908.9 million available to support GLA group services. This is £34.6 million lower than the baseline funding allocations. These figures represent forecasts, however, and if the outturn is different this will be adjusted for in the instalments paid to the GLA in 2014-15.

### **Proposed Use of GLA Business Rates Retention Funding in 2013-14 and 2014-15**

For 2013-14 the Mayor is intending allocate an estimated £943.5 million of retained business rates to his priorities across the Group. The proposed allocation and basis for this is set out in Appendix G.

Previously, this resource was effectively hypothecated to parts of the Group and the Mayor had no effective discretion as to how it was deployed. So, the introduction of retained business rates gives the Mayor greater flexibility to move resources between all members of the Group. Although it is important to note the Secretary of State for Transport's clarification that the changed arrangements for the funding of TfL should not reduce the amount of money available to it over the current Spending Review period.

The prospect of additional funding for any member of the GLA Group will come from a focus on strengthening London's economy and attracting companies and investors to develop new and existing sites for commercial development. This will lead to additional business rates revenues and thus increase the resources available to support the work of the GLA and functional bodies.

### **Localisation of Council Tax Support and Impact on Council Tax Revenues**

Decision making on the award of council tax benefit will be localised from April 2013. Eligible pensioner households will continue to receive council tax benefit as at present but local authorities will be free to introduce their own schemes for working age households. This will be accompanied by a 10 per cent reduction in Government support for council tax benefit – equivalent to a shortfall of around £90 million in London compared to 2010-11 subsidy levels. Boroughs will also, however, have new powers to generate extra revenues for themselves (and the GLA) from reducing or removing discounts & exemptions for second and empty homes to partly or fully offset this loss depending on local circumstances.

Approximately £180 million of the Mayor's £935 million precept revenues in 2012-13 are effectively funded by council tax benefit subsidy paid to the 33 London billing authorities. From next April Council tax support (formerly council tax benefit or CTB) will be treated as a discount (similar to the single person discount) and not a benefit – and therefore local authorities will no longer claim the costs via a 100 per cent subsidy payment from DWP.

## **Appendix H: New Financial Regime**

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In order to compensate for the loss of subsidy from April 2013 local billing authorities (e.g. London boroughs) and their preceptors (e.g. the GLA) will receive a new council tax support grant from CLG. The GLA's total council tax support grant for 2013-14 is £160.4 million – comprising £119.3million for police services (paid as a separate specific grant for MOPAC) and £41.1 million (paid through rates retention and revenue support grant) for non police services. The allocation of this has had the effect of reducing the Mayor's council tax requirement from £935.1million in 2012-13 to £778.7 million in 2013-14 (after allowing for the 1.2 percent precept reduction).

In April 2012 there were 827,000 households in London in receipt of council tax benefit – of these 544,000 are of working age and therefore could potentially be affected by changes to council tax support following localisation – if all 33 London billing authorities were to pass on their shortfalls to claimants. Around 342,000 of these working age claimants are on certain key income related benefits and therefore receive benefit for 100 per cent of their council tax bill at present.

Each London billing authority was required to determine its proposed council tax support scheme for 2013-14 by 31 January 2013 – and reflect the discounts in its council tax base which will be used for tax setting by it and the GLA. Seven London billing authorities will continue to pay council tax support on the same basis as now to all claimants and therefore will see no change to their bills - except for a limited number of cases in one of these authorities which is withdrawing the second adult rebate. However the remaining 26 have agreed schemes which will require the majority of or all working age claimants to pay a greater proportion of their council tax liability.

Legal challenges have been or are expected to be launched against the proposals for at least three London boroughs. The first such case - Haringey's - was dismissed by the High Court on 7 February and the Court of Appeal on 13 February. However it is unclear if and when any further challenges will be lodged. If an authority's scheme were to be declared invalid it is likely that a revised taxbase would need to be agreed.

The Government is also providing an additional council tax support transition grant of £100 million nationally in 2013-14 – which authorities will receive if they agree schemes which do not require working age claimants in receipt of 100 per cent benefit at present to pay more than 8.5 per cent of their tax liability and also do not disincentivise work. The GLA will also receive a grant – based on its share of the precept in each borough area – for each London billing authority that qualifies under the Government's criteria for the incentive scheme.

If all 33 billing authorities had designed schemes which met the criteria then the GLA would be eligible for a transition grant of £4.3 million. However the GLA estimates that only 18 of the 33 authorities have designed schemes which are compliant with the terms for the grant and as a result it is likely to receive £2 million based on the GLA's share of the council tax in that authority. The revenues from this one off one year reward grant will be transferred into the precept resilience reserve to support council tax support risks moving forward.

## **Appendix H: New Financial Regime**

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Precepting authorities will share the risk that billing authorities either absorb the estimated reduction in funding as a loss of income or, if they decide to pass the reduction onto claimants, then the impact of reduced collection rates. Therefore, the new Council Tax Benefits system is likely to lead to losses of income for precepting authorities – and increased risk and uncertainty in respect of precept income.

The GLA had assumed for planning purposes that there would be a £15 million funding gap in 2013-14 due to the impact of Council Tax Benefit localisation – net of any assumed offsetting uplift for the technical reforms for second and empty homes. However, this was a speculative figure with the final sums being dependent on Borough decisions on their localised benefits schemes, actual claimant levels and budgeted collection rates. This final draft budget reflects the updated information supplied by all 33 billing authorities on their council tax support schemes and council taxbases.

The GLA has already increased its Precept Resilience Reserve to account for this pressure in 2013-14 and to manage risks moving forward in respect of collection rates and growth in claimant numbers. This was to ensure that neither MOPAC or LFEPA would bear any risks arising from council tax benefit localisation in setting the 2013-14 budget. This policy will be reviewed during 2013-14.

### **Conclusion**

The new financial regime will have a profound impact on the GLA's budget. It creates opportunities and risks and some of the detail still needs to be confirmed. The assumed impact of the new system on each member of the GLA Group in terms of their forecast funding allocations is reflected in the financial tables included in this document.

Payments to functional bodies will also reflect the constraints of this new regime and will be made on the basis of the need to incur expenditure against their approved budget.

Due to the fact that there remain concerns about the potential volatility and accuracy of the council tax and business rates taxbase estimates which billing authorities will be able to provide for 2013-14 the GLA has set aside a precept resilience reserve of £47.4 million to help manage these risks - £24.2 million higher than in the draft budget.

## Appendix I: Key Dates

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<b>2 January 2013</b>	Draft consolidated budget distributed for consultation to the functional bodies, the City of London Corporation, London Boroughs, London Councils and other key stakeholders
<b>8 February 2013</b>	Mayor presented his draft consolidated budget to the London Assembly
<b>25 February 2013</b>	Mayor to present his final draft consolidated budget to the London Assembly
<b>28 February 2013</b>	Statutory deadline for the Mayor to approve his precept and council tax requirement and notify London billing authorities
<b>28 February 2013</b>	Statutory deadline for the Mayor to approve the final Capital Spending Plan for 2012-13 and notify the Secretary of State for Communities and Local Government.
<b>31 March 2013</b>	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.

## **Appendix J: Material Changes Made Compared to Consultation Budget**

### **SUMMARY OF CHANGES COMPARED TO DRAFT BUDGET**

Note: This list addresses material changes to the budget compared to consultation and does not include minor typographical or wording changes which do not affect the substance of the budget proposals.

**Mayor's Foreword:** Deleted – superseded by Mayor's Background Statement.

#### **Section 1 – Introduction and Summary**

- 1.4 Gross revenue expenditure figures in table for MOPAC amended to reflect revised budget for 2012-13
- 1.6 Revised net expenditure figure reflecting amendments arising from impact of the GLA share of reported billing authority collection fund surpluses, final council taxbase data and council tax support transition grant allocations.
- 1.8 GLA precept for City of London is now £86.08 compared to £82.75 in draft budget
- 1.9 Council tax requirements for 2013-14, 2014-15 and 2015-16 revised for GLA and thus the totals are now £778.7million in each year rather than £766.7million - reflecting the impact of final taxbase and collection fund data
- 1.10 Replaced by new paragraphs 1.10 to 1.13 which explain the impact of the returns submitted by billing authorities on the budget data (i.e. council taxbases, collection fund surpluses and rates retention forecasts)
- 1.11 Council tax and other sources of funding - specific grants, use of reserves and consolidated council tax requirement amended in table (now paragraph 1.14)

#### **Section 2 – Greater London Authority (Mayor)**

- 2.6 Net expenditure and council tax requirement for Mayor changed to £177.2million and £95.0 million (before application of collection fund surplus) and £84.6 million (after application of net collection fund surpluses)
- 2.7 Objective analysis table amended for 2013-14, 2014-15 and 2015-16 reflecting revised reserves, specific grants (2013-14) and council tax requirements for GLA
- 2.11 Change in 'use of reserves'
- 2.12 Change to 'government grants' to reflect expected £2 million in council tax support transition grant for which GLA now estimated to be eligible
- 2.16 Text on Olympic precept modified
- 2.20 Change to earmarked reserves (precept resilience) in text and table for 2013-14, 2014-15 and 2015-16 (split into paragraph 2.20 and 2.21)
- 2.21 Change to text and table for 2013-14, 2014-15 and 2015-16 (now paragraph 2.22)
- 2.24 Table modified to reflect final specific grant allocations and council tax requirement for GLA Mayor

#### **Section 3 – London Assembly**

No changes

## **Appendix J: Material Changes Made Compared to Consultation Budget**

### **Section 4 – Mayor’s Office for Policing and Crime**

- 4.7 Objective analysis table updated for 2012-13 revised budget and forecast outturn
- 4.14 Revision to text to reflect impact of final local government and police grant settlement
- 4.22 Minor modification to text on consultation on police and crime plan

### **Section 5 – London Fire and Emergency Planning Authority**

- 5.13 Revision to text to reflect impact of final local government and fire grant settlement
- 5.20 Revised text on consultation process (paragraphs 5.20 to 5.22) on draft London Safety Plan and Mayoral direction

### **Section 6 – Transport for London**

- 6.6 Revised paragraph in relation to GLA Transport grant
- 6.16 Revised paragraphs 6.16 to 6.18 in relation to GLA Transport grant allocations and final local government finance settlement

### **Section 7 – LLDC**

No changes

### **Section 8 – Future Years Funding**

Section updated to reflect impact of final local government finance and police settlement and position on GLA Transport grant for 2013-14 and 2014-15

### **Section 9 – Capital Spending Plan**

No changes - except references to ‘draft capital plan’ amended to ‘final draft capital plan’ and new concluding paragraph added.

## **Appendices**

### **Appendix A**

Table 1 revised for changes to Mayor revenue budgets for 2013-14, 2014-15 and 2015-16

### **Appendix B**

Table 1 revised for changes to 2012-13 revised budget and forecast outturn

### **Appendix G**

Net financing requirement and council tax requirement table updated for final draft budget  
Revised text explaining impact of billing authority forecast rates retention income in 2013-14  
Council tax requirements for other services in 2013-14, 2014-15 and 2015-16  
Revised council tax figure and table for City of London council taxpayers  
Council tax conversion table text deleted

### **Appendix H**

Updated text on new financial regime



## PART 3

### Final Draft consolidated budget 2013-14: Finance and legal advice

	Page
<b>Advice provided by the Executive Director of Resources</b>	
1. Advice on Budget Process.....	119
2. Equalities Implications.....	122
3. 2012-13 financial monitoring.....	123
4. Reserves and balances.....	124
5. Advice on Council Tax referenda.....	129
6. Council Tax Freeze Grant .....	130
7. Advice on future plans .....	131
8. Limit on Assembly’s power to amend Mayor’s Council Tax Requirement..... for the Assembly	131
<b>Legal Advice .....</b>	<b>134</b>

## **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 statutory Chief Finance Officer, to report on the robustness of the estimates. This is covered within the information and advice provided below.

#### **What were the arrangements for developing the budget proposals?**

The budget process itself involved:

- Budget guidance issued by the Mayor throughout the process;
- 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 consultation;
- Consultation;
- Scrutiny by the Assembly's Budget and Performance Committee throughout the process; and
- Consideration of the Draft Consolidated Budget and the Final Draft Consolidated Budget by the Assembly at its meetings on 8 and 25 February 2013 respectively – see further below.

The Mayor issued guidance in June 2012 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.

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

- Review delivery of the 2012-13 budget and to judge outcomes;
- Direct the 2013-14 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.

### **Assembly's amendments to the Draft Consolidated Budget for 2013 – 14**

The above process resulted in the Mayor presenting his Draft Consolidated Budget for 2013 – 14 to the Assembly's meeting on 8 February 2013. The Assembly questioned the Mayor and considered whether to approve that budget, with or without amendment. The Assembly agreed an amendment to the Mayor's Draft Consolidated Budget for 2013–14 by a simple majority of votes cast, and as a result that budget was approved as amended.

The final stage of the budget process involves the Assembly holding a meeting on 25 February at which the Mayor presents his Final Draft Consolidated Budget for 2013–14. The Assembly must consider the final draft budget and decide whether to approve it with or without amendment. At this stage the only amendments that can be made by the Assembly are those agreed by a two-thirds majority of votes cast.

Having regard to the Assembly's amendments of 8 February, the Mayor has nonetheless decided not to implement them in the Final Draft Consolidated Budget for 2013 – 14. As that budget is different to the one approved, as amended, by the Assembly, in accordance with statutory requirements, the Mayor has laid before the Assembly a written statement of his reasons for doing so. A copy of that statement can be found in Annex B to Part 1.

This document therefore addresses the contents of the Final Draft Consolidated Budget for 2013 – 14 presented by the Mayor.

### **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 three -year period 2013-14 to 2015-16 for the GLA and each of its functional bodies. The analysis shows:

- Net costs of providing the complete range of services provided by the body;
- Capital financing costs (including capital expenditure charged to revenue);
- Transfers to and from reserves;
- Any other financial charges and adjustments;
- Estimated government general and specific grants
- Income allocated from retained business rates and
- The resultant financing and council tax requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2012-13. Explanations have been provided for the changes in terms of:

- Inflation;
- Savings and Efficiencies;
- New initiatives and service improvements;
- Changes in use of reserves;
- Net change in government grants; 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 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 budget consultation paper had been widely circulated to London borough councils, London Councils, and a wide range of voluntary, business and other representative organisations. It was also placed on the Greater London Authority website, enabling members of the public to make their comments. The views expressed in the consultation have been taken into account.

### **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 an approval, scrutiny and challenge process as described above. They reflect the best available information held within the GLA about budget pressures and the resources available to meet them.

There are processes within each of the GLA group organisations 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 risk and uncertainty in the budget. There are the new risks and uncertainty introduced by the new system of business rates retention and the localisation of council tax support which increases the potential volatility in respect of £2.3 billion of the GLA Group's existing funding. There are significant savings included in the budget and these will require positive management action. There is always the risk that forecast budget variances for 2012-13 could result in a shortfall in the budget funding for 2013-14. In that event the control systems that operate throughout the group allow for component budgets to be reviewed and adjusted accordingly. The scale of future savings required across the GLA Group in future years is substantial. 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. TfL's borrowing has increased significantly in recent years due to the impact of its investment programme including Crossrail and the Tube upgrade. However, the overall levels of borrowing planned by TfL over the next few years are within the levels found in comparable organisations. The GLA is borrowing specifically for its contribution to Crossrail, which is financed from the levying of a business rate supplement.

Overall, on the basis of the information that has been provided to explain the Mayor's 2013-14 budget proposals, the estimates and budgetary provisions set out in the Budget documents represent reasonable and necessary financial provisions 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, 2012-13 monitoring, reserves and balances, Council Tax referenda, Council Tax Freeze Grant, 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 II of the Budget set out a summary of each member of the GLA Group's consideration of equality issues in their budget proposals. Each organisation must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not under section 149 of the Equality Act 2010. This 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. (The "protected" characteristics and groups are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and marriage/ civil partnership status.) Compliance with the duty may involve treating people with a protected characteristic more favourably than those without the characteristic.

The GLA's savings proposals are not expected to result in an adverse equalities impact, as administrative savings have been prioritised. Throughout MOPAC's planning process, services have been encouraged to consider equality and diversity issues and an Equalities Impact Assessment (EIA) will be available before the publication of the final Police and Crime Plan 2013-17. LFEPA has prepared an Equality Analysis for the savings proposals presented in the Mayor's Consultation Budget. Equalities assessments of the draft fifth London Safety Plan have been made and will be revisited once consultation on the Plan is completed. TfL have published a full EIA for its Business Plan. The LLDC plans a wide range of equalities and inclusion initiatives in 2013-14.

### **3. Advice on 2012-13 financial monitoring**

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

There are systems in place for regular financial monitoring and reporting within each member of the GLA Group. In addition, progress against budget is reported quarterly to the Assembly's Budget Monitoring Sub-Committee for each GLA Group member. 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. To provide a full snapshot across the GLA Group, set out below is a summary of the latest monitoring report presented to the Budget Monitoring Sub-Committee at its meeting on 11 December, 2012.

#### **(a) Greater London Authority: Mayor of London**

At period 7, after allowing for the re-phasing of spending from Regeneration Funds, the revenue budget for the Mayor of London was forecast to underspend by £7.1 million (4 per cent). At period 7 the GLA's Capital Programme is forecast to underspend by £41.5 million (3 per cent) against an approved Programme of £1.634 billion.

#### **(b) Greater London Authority: London Assembly**

At period 7 there was a forecast underspend of over £0.1 million (2 per cent) in the London Assembly.

#### **(c) Mayor's Office for Policing and Crime**

At period 6 (September 2012) MOPAC's revenue budget was forecast to underspend by £23 million (0.1 per cent of the budget) - with updated information at period 9 revising this to £28 million. The agreed target underspend for 2012-13 is £50 million and it is believed that the target will be met due to the introduction of new MPS spending principles. The underspend will be appropriated into an earmarked reserve and used in 2014-15 (£32 million) and 2015-16 (£18 million). The Capital Programme is forecast to over-achieve by £8m in 2012-13 (4 per cent).

#### **(d) London Fire and Emergency Planning Authority**

At the end of quarter 2 LFEPA forecast an underspend of £4.2 million on a Revised Budget of £413.7 million (1 per cent). There is a forecast underspend of £0.4m against a Capital Programme of £12.5 million (3 per cent).

#### **(e) Transport for London**

At the end of quarter 2 TfL forecast an overall underspend of £468 million in 2012-13. This consists of an underspend on their Revenue Budget of £207 million and an underspend on its Capital Programme of £262 million.

#### **(f) London Legacy Development Corporation**

At the end of quarter 2 LLDC forecast a revenue underspend of £1.6 million (6 per cent) and an underspend on its Capital Programme of £7.9 million (5 per cent).

## Conclusion

An assessment of the current year's financial outturn is always a crucial 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 2013 and with crucial closing of accounts 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 2013-14. 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 on these 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 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, 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 liabilities – 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.

CIPFA's guidance states that the Institute *"does not accept that a case for introducing a statutory minimum level of reserves, even in exceptional circumstances, has been made"*, it does confirm that *"authorities, on the advice of their finance directors, should make their own judgements on such matters taking into account all the relevant local circumstances."*

Further guidance is provided by Local Authority Accounting Panel (LAAP) Bulletin 78, issued in November 2008. LAAP78 emphasises the importance of medium-term plans and forecasts of resources, in addition to short-term considerations, in determining the adequacy of reserves.

Section 26 of the Local Government Act 2003 gives the Secretary of State 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 their 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 Financial Officer.**

### **(a) Greater London Authority: Mayor of London**

In the light of the impact of the new local government financial regime, which is described in more detail in parts I and II of the Budget, the Precept Resilience Reserve has been enhanced to account for this pressure in 2013-14. This policy will be reviewed in 2013-14.

### **General Reserves**

At 31 March 2013 the general reserve is expected to total some £9.6 million – a decrease of £2 million in 2012-13. Over the CSR period the general reserves are planned to be maintained at £9.6 million.

## **Earmarked Reserves**

As at 31 March, 2013, the current estimate of earmarked reserves, including the elections reserve, is some £317.8 million. This high level of earmarked reserves reflects the London Settlement agreed with Government. Earmarked reserves are forecast to reduce to £117.5 million by the end of 2015-16 as advanced payment of grants are applied. The increase in earmarked reserves also reflects the enhancement of the Precept Resilience Reserve to manage the impact of the new local government finance regime. In reality it is likely that the precept resilience reserve will need to be applied to manage the risks and uncertainties associated with rates retention and council tax benefit localisation.

## **Conclusion**

The level of reserves is judged prudent in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review, particularly in the light of the management of the pressures on future years' budgets arising from the new local government finance regime and the ongoing effect of the devolutionary changes introduced in the Localism Act 2011.

### **(b) Greater London Authority: London Assembly**

Most of the GLA's non election related reserves relate to accommodation or to general cost issues (e.g. accommodation, precept resilience, etc) and the Assembly and its staff effectively have access to these reserves on the same basis as the rest of the GLA. Additionally, within the existing earmarked reserves there is £0.8 million relating to the Assembly's development reserve.

### **(c) MOPAC**

MOPAC's present policy on reserves is to hold general reserves, which includes an emergency contingency fund, of at least 1.5 per cent of net revenue expenditure. This is on the basis that there are reasonable insurance arrangements, allowances for contractual inflation and effective budgetary control to manage in year budget pressures. A three year view is taken on reserves which means that if some of the planning assumptions need to be adjusted there is time to take remedial action. The position on general fund balances will be kept under review with the aim of building up future resilience as savings reductions are implemented.

MOPAC forecast that as at the end of 2012-13 general reserves will be £23.5 million and the emergency contingency fund will be £23.1 million, which equates to just over 1.5 per cent of net budgeted expenditure in 2013-14.

Earmarked reserves have been established by MOPAC to provide resources for specific purposes. As a result of the Police Settlement being better than anticipated earmarked reserves, including the emergency contingency fund, are forecast to increase from £196.3 million to £227.6 million. MOPAC anticipate that there will be a significant drawdown in 2013-14 from the Budget Pressures reserve to fund voluntary exits and the ongoing major change programme which is not shown in these figures.

### **MOPAC Conclusion**

In the opinion of the Treasurer of MOPAC the proposed approach remains prudent and MOPAC will have adequate reserves in place with general reserves, including the emergency contingency fund, totalling £46.6 million by 31 March 2013 and earmarked reserves which are currently forecast to total £173.2 million by 31 March 2013.

### **(d) London Fire and Emergency Planning Authority**

LFEPA's general reserves at the end of 2013-14 are forecast to be £14.4 million. This is £4.1 million above the stated minimum general reserve position of £10.3 million which is 2.5 per cent of the annual budget. This means there will potentially be funds available to provide one off support to the budget. LFEPA also forecasts that it will have £9.7 million of earmarked reserves at the end of 2013-14. The level of reserves will be kept under review and reflect an updated assessment of financial risks.

### **LFEPA Conclusion**

The level of reserves is judged prudent in the context of known future liabilities, risks and funding uncertainties facing the Authority and will be kept under review.

### **(e) Transport for London**

TfL seeks to maintain a General Fund balance of at least £150 million (and a minimum cash balance of £250 million), to protect it from the short-term effects of specific risks crystallising and to ensure sufficient liquidity. Should there be a significant call on the General Fund, provision would be made in future years' budgets to rebuild the reserve to this target level.

General reserves are planned to be held at a constant level of £162 million over the CSR period. Earmarked reserves are reserves set aside for specific policy purposes, namely funding of the Investment Programme, and represent funding received in advance of need. Earmarked reserves are set aside in respect of projects across the Group, excluding Crossrail. They form part of the overall funding pot for the Investment Programme, and will be expended on major projects over the next few years such as the Sub-surface lines upgrade, the Northern line upgrade and congestion relief projects such as Tottenham Court Road and Paddington.

Earmarked reserves (excluding Crossrail) are forecast to decrease from £1.622 billion at 31 March 2013 to £1.138 billion at the end of 2013-14. They are then projected then to fall to £296 million by the end of the CSR period, reflecting the drawing down of earmarked reserves.

Total TfL reserves (excluding Crossrail) are forecast to decrease from £1,784 billion at 31 March 2013 to £1.300 billion at the end of 2013-14. They are then projected then to fall to £458 million by the end of the CSR period, reflecting the drawing down of earmarked reserves. General reserves are planned to be held at a constant level of £162 million over the CSR period.

### **TfL Conclusion**

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

## (f) London Legacy Development Corporation

As at 31 March 2013 LLDC's general reserves balance is expected to total £11 million. The LLDC holds no earmarked reserves. The general reserve balance is forecast to fall to £5.5 million by the end of 2013-14 and then increase back to £10 million in 2014-15.

### LLDC Conclusion

The Chief Financial Officer of the LLDC considers that the level of reserves is prudent in the context of current known liabilities, but will need to be kept under review in the light of future funding needs, and actual operating costs and revenues as the Corporation becomes established.

### 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 Executive Director of Resources relies on the individual advice from each of the Chief Financial Officers of the functional bodies in discharging his responsibilities.

The use of reserves to March 2013 is summarised in the table below.

	GLA	MOPAC	LFEPAC	TfL	LLDC	Total
	£m	£m	£m	£m	£m	
<b>Opening balances 1.4.12</b>	<b>317.5</b>	<b>252.6</b>	<b>60.9</b>	<b>1,017.0</b>	<b>12.2</b>	<b>1,660.2</b>
Earmarked reserves	0.3	-21.8	-7.8	767.0	0.0	737.7
General reserves	0.0	-11.0	-25.8	-	-1.2	-38
<b>Balances 31.3.13</b>	<b>317.8</b>	<b>219.8</b>	<b>27.3</b>	<b>1,784.0</b>	<b>11.0</b>	<b>2,359.9</b>
Earmarked reserves	-71.6	31.3	-2.3	-484.0	0.0	-526.6
General reserves	0.0	-4.0	-1.0	-	-5.5	-10.5
<b>Balances 31.3.14</b>	<b>246.2</b>	<b>247.1</b>	<b>24.0</b>	<b>1,300.0</b>	<b>5.5</b>	<b>1,822.8</b>

Although there are reductions in the GLA, MOPAC, LFEPAC and LLDC's reserves over the period, TfL's reserves increase during 2012-13 which leads to the GLA Group's reserves overall increasing between April 2012 and March 2014.

Of the forecast balance on reserves of some £1.8 billion at 31 March 2014, around £211 million is held in general reserves, which, with budgeted provisions for contingencies, is adequate to meet reasonably foreseeable adverse changes and makes prudent provision for such changes.

There are no expected revenue account deficits in respect of previous financial years which would need to be provided for.

In conclusion, the Mayor's budget proposals are consistent with the advice provided on reserves and balances. The use of reserves and balances will be kept under close review during 2013-14 and onwards.

## **5. Advice on Council Tax referenda**

### **What are the rules on Council Tax referenda?**

The GLA budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 (“the GLA Act”), as amended, in particular by the Localism Act 2011. Amendments made by section 72, and Schedules 5 and 6 of the Localism Act set out a requirement for a Council Tax referendum where the proposed increase in the GLA precept exceeds a threshold proposed by the Secretary of State and approved by Parliament. The duty to hold a Council Tax referendum in those circumstances replaces the system of Council Tax capping which is abolished.

### **Advice**

The duty described above would require the Mayor to hold a referendum to approve a proposed Council Tax increase where this exceeded a threshold proposed by the Secretary of State and approved by Parliament. The threshold for 2013-14 was approved by Parliament on 13 February 2013 through ‘The Referendums Relating to Council Tax Increases (Principles) Report (England) 2013/2014’.

The Council Tax increase above which the Mayor would be required to hold a referendum in 2013-14 on the basis of the Government’s principles is 2 per cent.

The GLA is not required to make levy payments and therefore the baseline against which the principles are measured is the actual council tax requirement and council tax figure for 2012-13. In the event that the draft budget did not comply with these principles the Mayor would be required to present, additionally, a substitute budget that did. This, subject to any amendments agreed by the required two thirds majority, would become the default budget if the referendum seeking approval for an increase above the threshold was lost.

However, should the final budget not meet the approved principles (i.e. the proposed increase in the Council Tax requirement exceeded the threshold set for the GLA for that budget year) then the Mayor would also be required to present an alternative substitute budget to the Assembly that was in compliance. The Mayor’s final budget in this scenario would then be subject to a London-wide referendum. If the final 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 to reduce his share of the precept in 2013-14.

On the basis of the Mayor’s draft budget there will be no requirement to hold a referendum. If the Assembly were to agree an amendment to the Mayor’s budget by the required majority which resulted in the Band D Council Tax being increased by more than 2 per cent (i.e. a band D Council Tax exceeding £312.86), then it would also be required to agree a substitute budget which resulted in a Council Tax of £312.85 (or lower).

## 6. Advice on Council Tax Freeze Grant

The Secretary of State has confirmed the Government's intention to work with local authorities in England to meet its commitment to deliver a council tax freeze in 2013-14.

The scheme will be voluntary and will apply separately to each billing and major precepting authority in England (including police and fire and rescue authorities and the GLA). Decisions by individual billing or precepting authorities to raise their council taxes will not impact therefore on the eligibility of other precepting or billing authorities in that area to qualify for the Freeze Grant.

If the amount calculated by the GLA under s. 89(3) of the GLA Act for 2013-14 is no more than the same amount calculated by the GLA for 2012-13 (i.e. the band D council tax for the 32 London boroughs), the GLA will be eligible to receive an estimated grant of £9.428m in 2013-14 and again in 2014-15 once the Mayor freezes or reduces his precept for 2013-14.

This figure is an estimate as the exact amount of the grant cannot be determined by CLG until billing authorities have submitted their council tax requirement 1 (CTR1) returns in March as it will be calculated using a different council taxbase to that used for tax setting purposes which excludes the discounts applied as a result of localised council tax support schemes. The GLA is required to confirm to the Secretary of State that it meets the terms of the scheme through its council tax requirement 3 (CTR3) return which must be submitted within seven working days of the date at which the final budget is approved.

It is important to note that the terms of 2013-14 freeze grant are different from the schemes for 2012-13 and 2011-12. Under the 2012-13 scheme the GLA has received a one-off sum of £27.7 million, with no ongoing payments to be made over the remainder of the current Spending Review period (i.e. 2013-14 and 2014-15). The 2013-14 Freeze Grant continues payment over the Spending Review period. The £23.4 million 2011-12 council tax freeze grant - originally payable over the entire Spending Review period - has been transferred into general funding (revenue support grant and the rates retention baseline) and will therefore continue.

Due to the loss of eligibility for the 2013-14 Council Tax Freeze Grant, for any precept increase above the 2012-13 level to have any marginal additional spending power the precept needs to be increased by over 1.19 per cent in 2013-14. (i.e. it is only at this point that the additional precept income is greater than the estimated Freeze Grant). Conversely, if the Council Tax precept were reduced, the GLA would still be in receipt of the full Council Tax freeze grant.

In the light of the earlier advice on Council Tax referenda and this advice on freeze grants, effectively the Government is prescribing that any increase in Council Tax for the GLA would need to be above 1.19 per cent – if the increase is to raise more revenue than would be received by way of freeze grant - but at or below 2 per cent – unless the GLA wishes to hold a referendum on the Council Tax precept. Although it is also necessary to bear in mind that if the 2013-14 freeze grant is not maintained in the next Spending Review then there will be additional pressures on the budget in 2015-16 (and future years) which will need to be offset by expenditure reductions and or additional income.

## 7. 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 in the spring to ensure this objective is fully implemented across the GLA Group.

Section 8 of Part II of the Budget sets out the prospects for the GLA and GLA Group for future years. It emphasises that there remains much uncertainty about the prospects over the next few years, particularly as a result of the impending new Spending Review for 2015-16 onwards but also because full information for all the GLA Group is not available for 2014-15. The Government has indicated that Departmental Spending Limits are likely to follow the trajectory for the current spending review period. Therefore in setting council tax requirement levels for 2013-14 the Mayor and the Assembly should have regard not just to the in year funding position for 2013-14 but the expectation that grant income will continue to decline until potentially 2018.

## 8. Advice on the limit on Assembly's power to amend 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 each of the Mayor and the Assembly. In order to derive these two separate requirements it is necessary to apportion the Government grants and retained business rates between the Mayor and the Assembly. Section 2 of Part II of the Budget sets out the apportionment made.

### What is the restriction on the Assembly changing its Council Tax Requirement?

The GLA Act limits the Assembly's power of amendment in respect of its own Council Tax Requirement. The Assembly can only increase its Council Tax Requirement (as proposed by the Mayor) by reference to the following:

- If the Mayor's proposed Council Tax Requirement for 2013-14 for the Mayor is **greater than** the Council Tax Requirement for 2012-13 then the Assembly cannot amend the Assembly's Council Tax Requirement so that it would increase by more in percentage terms than the increase in the Mayor's Council Tax Requirement; or
- If the Mayor's proposed Council Tax Requirement for 2013-14 for the Mayor is **less than** the Council Tax Requirement for 2012-13 then the Assembly cannot amend the Assembly's Council Tax Requirement so that it would decrease by a smaller percentage than the decrease in the Mayor's 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 2012-13;
- 'New' Mayor will be the Mayor's proposed Council Tax Requirement for the Mayor for 2013-14 before any amendments; and
- The percentage change in the Mayor's Council Tax Requirement from 2012-13 is calculated using these amounts.

The Assembly's Council Tax Requirement for 2012-13 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 should be adjustments to facilitate a like for like comparison arising from the introduction of the new financial regime in 2013-14. These adjustments are set out below.

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

Using the Act's methodology and applying it to the draft Council Tax requirement figures, the Assembly could not amend their own council tax requirement so that it would increase by more than the Mayor's proposal. This is because the Mayor is proposing a Council Tax requirement of £2.6 million (following the usual convention of setting budget requirements rounded to the nearest £1,000) and the application of the Act would allow the Assembly to amend its council tax requirement up to £2.418 million.

This is explained in the table below:

<b>Mayor's Budget: Calculation of NM</b>	<b>£m</b>
Proposed council tax requirement for the Mayor for 2013-14	84.625
<b>Deduct:</b> Uplift to precept resilience reserve financed by increase in council tax requirement which will be used to support functional body rates retention and precept funding	-11.869
<b>Add</b> items specified below*	39.300
<b>NM</b>	<b>112.056</b>
<b>Deduct:</b> OM (notional Mayor's council tax requirement for 2012-13)	-120.500
<b>Amount NM is more than OM Council Tax requirement</b>	<b>-8.444</b>
<b>Percentage Decrease</b>	<b>-7.0%</b>

  

<b>Assembly Budget: adjusted previous component Council Tax Requirement</b>	<b>£m</b>
Notional component Council Tax requirement for the Assembly for 2012-13	2.600
<b>Deduct:</b> Add percentage change in NM compared with OM	-0.182
<b>Adjusted previous component Council Tax requirement</b>	<b>2.418</b>

\*This consists of: £9.5 million for the application of council tax freeze grants for 2012-13 and 2013-14 to support the GLA Group precept; £5.2 million of specific grants outside RSG / Rate Retention; £7 million share of rates retention for council tax support; £10.7 million share of GLA Group RSG for council tax support; £6.6 million share of 2011-12 council tax freeze grant in rates retention (offset by uplift to MOPAC precept); and a £0.3 million share of 2011-12 council tax freeze grant in RSG (offset by uplift to MOPAC precept).

The figure of £2.418 million is the 'adjusted previous component council tax' requirement for the Assembly. As the Mayor is proposing a council tax requirement of £2.6 million the Assembly cannot amend their own council tax requirement so that it would be more than the Mayor's proposal.

## **Legal Advice**

### **1. Overview**

- 1.1 The Mayor is responsible for the preparation of the budget for both parts of the GLA, that is, the Mayor and the London Assembly, and for the functional bodies, the budgets for all of which together constitute the consolidated budget for the GLA. The Assembly's role is to scrutinise the budgeting decisions of the Mayor, to approve the Mayor's Budget (with or without amendments), and to set a budget in the event that the Mayor does not do so in the required time. The Assembly also has the power to amend its own budget to the extent that any increase proposed for the Assembly is proportionately less than that proposed for the rest of the GLA.
- 1.2 The Mayor and the Assembly must secure a financially balanced budget, with a fair and reasonable balance between the discharge of statutory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost.
- 1.3 The GLA's major sources of revenue are council tax, grants paid by the Secretary of State, redistributed non-domestic rates, fares, a business rate supplement levy, and other sources such as advertising and road user charging.
- 1.4 The majority of the rules relating to the budget process are set out in sections 85 to 87 and Schedule 6 to the Greater London Authority Act 1999, as amended ("the GLA Act"). Significant amendments were made by provisions in the Localism Act 2011.

### **2. Capital spending plans**

- 2.1 Under section 122 of the GLA Act, each financial year the Mayor is required to prepare a capital spending plan for the GLA's four functional bodies: the Mayor's Office for Policing and Crime (MOPAC); the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL); and the London Legacy Development Corporation (LLDC) (as to the establishment of which see the London Legacy Development Corporation (Establishment) Order 2012).
- 2.2 Under section 123 of the GLA Act, the Mayor is required to send a copy of the draft capital spending plan to the London Assembly and each of the functional bodies before 15 January each year, inviting them to submit written comments to him within 21 days. This present document includes, for the purposes of consultation, the Mayor's draft capital spending plan for 2013-14. Before finally determining the plan, the Mayor must consider any comments submitted and make such revisions as he sees fit, having had regard to the responses made. The Assembly does not have a power to amend the plan.
- 2.3 Before 28 February the plan has to be sent to the Secretary of State (DCLG) and copies have to be sent to the Assembly and each of the functional bodies.
- 2.4 The format of the capital spending plan and its contents are specified by section 122 of the GLA Act. The plan is to be in four sections. They can be categorised as follows:

**Section A** – a statement of the resources each functional body will have for capital expenditure by virtue of capital grants other than from the GLA and capital receipts;

**Section B** – a statement of the resources each functional body will have for capital expenditure by virtue of borrowing and grants - if any - from the GLA;

**Section C** – a statement for each functional body of total expenditure for capital purposes that the Mayor expects the body to incur and the total amounts which the Mayor expects to be treated as borrowing in the year (collectively the functional body's "total capital spending"); and

**Section D** – a breakdown of how each functional body's total capital spending is funded i.e. how much the Mayor expects the body to meet out of capital grants, capital receipts, borrowing and revenue.

### 3. Overview of steps in budget process

1. The Mayor consults the Assembly and then prepares draft component budgets for Mayor and Assembly.
2. The Mayor consults each functional body and then prepares the draft component budget for each functional body.
3. The Mayor prepares the draft consolidated budget covering both parts of the GLA and all of the functional bodies
4. The Mayor consults the Assembly and other appropriate bodies on the draft consolidated budget.
5. Before 1 February, or such other date as is fixed by regulations, and for 2013-14, 11 February<sup>1</sup> has been so fixed, the Mayor determines the final contents of the draft consolidated budget and presents it to the Assembly at a public meeting.
6. The Assembly approves the draft consolidated budget, with or without amendment, by simple majority (subject to limitations in relation to its own budget).
7. By the last day of February, the Mayor prepares the final draft budget (with or without Assembly amendments), publishes it and presents it to the Assembly at a public meeting. If the Mayor has not adopted the amendments proposed by the Assembly, he must state his reasons for not doing so.
8. By the last day of February, the Assembly approves the final draft budget, with or without amendment. Any amendments made by the Assembly require the support of two thirds of the Assembly and are subject to limitations in relation to the Assembly's own budget.
9. The final budget approved by the Assembly (with or without amendment) is the GLA's consolidated budget for the financial year.

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<sup>1</sup> Greater London Authority (Consolidated Council Tax Requirement Procedure) (No 2) Regulations 2012 (SI 2012/3125)

10. As soon as practicable after its approval, the Mayor is required to publish the GLA's consolidated budget and the component budget of each of the Mayor, the Assembly and each functional body.

Note: The first two stages above can proceed simultaneously but all other stages are sequential. Alternative steps are to be followed in case of default by the Mayor or the Assembly.

#### **4. The council tax requirement process**

##### **4.1 Component and consolidated council tax requirements**

The Mayor must calculate council tax requirements for the Mayor, the Assembly, and the functional bodies (Transport for London, the Mayor's Office for Policing and Crime, the London Fire and Emergency Planning Authority, and the London Legacy Development Corporation). These component council tax requirements for the Mayor, Assembly and functional bodies together constitute the GLA's consolidated council tax requirement (s.85 and Schedule 6 ("Schedule 6"), paragraph 1, GLA Act).

##### **4.2 Procedure for determining the council tax requirements**

The determination of the component and consolidated council tax requirements is expected to take place between December, following the publication of the government's provisional financial settlement, and the end of February, when the budget is required to be finalised (Schedule 6, paragraph 8).

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 also consult the Assembly and functional bodies and others as appear appropriate to the Mayor before preparing the draft component budget requirements for the Assembly and functional bodies (s.87 and Schedule 6 GLA Act and s.65 Local Government Finance Act 1992 ("LGF Act 1992")).

##### **4.3 Approval of the budget**

The draft consolidated budget for 2013-14 must be presented to the Assembly at a public meeting on or before 11 February 2013. The GLA Act specifies that the draft consolidated budget must be presented to the Assembly on or before 1 February (Schedule 6, paragraph 3(4), subject to paragraph 10). However the Greater London Authority (Consolidated Budget Requirement Procedure) (No2) Regulations 2012 specify that, in relation to the 2013-14 financial year only, this date will be 11 February 2013.

If the Mayor fails to comply with these requirements, the Assembly must prepare draft component and consolidated budgets (Schedule 6, paragraph 4). If the draft consolidated budget is approved at a public meeting of the Assembly, that approved draft becomes the GLA's consolidated budget (Schedule 6, paragraph 4).

If approved without amendment, the draft consolidated budget is deemed to be the GLA's consolidated budget for the year in question (Schedule 6, paragraph 4). After the Mayor presents the draft consolidated budget to the Assembly, the Assembly must approve it, with or without amendment, by a simple majority of the members voting.

The Assembly's right of amendment in respect of its own budget is limited insofar as it cannot vote an increase in its own council tax requirement which is proportionately more than that proposed in respect of the Mayor (Schedule 6, paragraph 5A).

The Assembly agreed amendments to the Draft Consolidated Budget for 2013 – 14 at its meeting on 8 February 2013.

After the Assembly's approval of the draft consolidated budget (or after such period as the Mayor considers reasonable has elapsed without such approval), the Mayor must prepare a final draft of the consolidated budget (final draft budget). This can be:

- the draft consolidated budget as approved by the Assembly including any amendments made by the Assembly;
- the draft consolidated budget as amended by the Mayor; or
- the unamended draft consolidated budget (Schedule 6, paragraph 6(3)).

The Mayor must present the final draft budget to the Assembly and publish it before the last day of February. If the Assembly approved the draft consolidated budget with amendments, but the Mayor has not accepted these amendments, the Mayor must lay before the Assembly a written statement of his reasons for not accepting the amendments (Schedule 6, paragraph 6(5)). This is the case for the Final Draft Budget for 2013 – 14. A copy of The Mayor's statement can be found at Annex B of part I of the Budget.

The Assembly must approve the final draft budget with or without amendment by the end of February (Schedule 6, paragraph 8). Any amendments by the Assembly at this stage require a two-thirds majority of the members voting (Schedule 6, paragraph 8 (4)). The Assembly's right of amendment in respect of its own budget is again limited in that any increase in the council tax requirement for itself cannot be more in percentage terms than any increase for the Mayor (Schedule 6, paragraph 8A).

The Assembly cannot amend the business rates retention 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 budget that the Assembly has the power to amend.

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).

If the Mayor, having presented a draft consolidated budget, fails to present a final draft budget, the Assembly must meet and agree by 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).

The Mayor is required to publish the consolidated and component budgets as soon as practicable, and they must be available for inspection by, or supply to, the public, for six years thereafter (Schedule 6, paragraph 11).

#### **4.4 Restriction on challenge to the calculation of the council tax requirements**

Provided that the Mayor's calculation of the council tax requirements was made in accordance with the statutory procedures, the calculation may not be questioned except by way of judicial review (s.66 LGF Act 1992).

#### **4.5 Minimum budget for the Mayor's Office for Policing and Crime**

If it appears to the Secretary of State that the budget set by the GLA for MOPAC is too low to restore or maintain an efficient or effective police force for its area, the Secretary of State may if satisfied that it is necessary for the safety of metropolitan police district residents direct the GLA to increase the component budget requirement to a level not less than an amount specified by him in the direction (s.95 GLA Act, as amended by the Police Reform and Social Responsibility Act 2011).

### **5. Sources of revenue**

#### **5.1 Council tax**

The GLA is a major precepting authority (s.82 GLA Act). It raises money indirectly by issuing a precept to the London boroughs and the City of London (separately "a London billing authority") in respect of the amount the GLA sets as its council tax. The method of calculating the GLA's council tax is broadly similar to that of other precepting authorities, although for the GLA the council tax requirement in respect of MOPAC is treated separately. This is necessary because MOPAC is responsible for the police service in the inner and outer London boroughs, but not in the City of London. Council tax payers in the City of London pay directly for their own policing provided by the City of London Police.

Each London billing authority must include the precept when it calculates its own council tax bill (s.30 LGF Act 1992). The London boroughs then collect the precept from the council tax payers in their areas and pass it on to the GLA. The precept issued by the GLA must state the amount of the council tax which the GLA has calculated in respect of each category of dwellings and the amount it has calculated to be payable by the billing authority for the year (s.40 LGF Act 1992).

The Mayor sets separate council tax requirements for the Mayor, the Assembly and each of the functional bodies, which together form the basis of the calculation of the basic amount of council tax (s.85 GLA Act). A precept for any given financial year should be issued before 1 March in the year preceding the financial year for which it is issued (s.40 LGF Act 1992).

## **5.2 Council tax referendums**

Prior to the Localism Act 2011, the budget requirement set by the Mayor could be limited or “capped” by the Secretary of State under Chapter IVA of the LGF Act if the Secretary of State considered that the budget requirement calculation was excessive by comparison with a previous year’s calculation. Under Chapter 4ZA of the LGF Act (inserted by the Localism Act, section 72 and Schedule 5), there is instead a duty to hold a referendum if a proposed council tax increase exceeds thresholds set by the Secretary of State and approved by Parliament. There are two thresholds – one for the adjusted basic amount of council tax and one for the unadjusted basic amount as calculated under the LGF Act, reflecting the fact that the GLA sets separate council tax amounts including and excluding the element for the Metropolitan Police.

The Government has published its Council Tax principles it is proposing for 2013-14, under which, if the GLA were to seek to increase its Council Tax by more than 2%, this would trigger a referendum.

Should the possibility arise of a referendum being triggered in respect of the GLA budget as a result of an Assembly amendment for 2013-14, further advice would be provided.

## **5.3 Grants paid by the Secretary of State**

Grants from the Secretary of State include a GLA transport grant paid for the purposes of Transport for London (section 101 of the GLA grant), revenue support grant, Home Office police grant, principal police formula grant and other specific grants (including counter-terrorism funding, fire revenue grant, the council tax freeze grants for multiple years and the new council tax support grant which replaces council tax benefit subsidy from April 2013). Following the introduction of rates retention the former GLA general grant and fire formula grants will cease – with 40% of the 2013-14 allocation being provided via rates retention and the residual amount (60% in 2013-14 and in line with national control total reductions thereafter) via non police revenue support grant.

Section 100 of the GLA Act as amended by section 4 of the Local Government Finance Act 2012 gives the discretion to the Secretary of State to pay a GLA General Grant if he/she so decides in any financial year. However no discretion is expected to be used for 2013-14.

## **5.4 Non-domestic rates and business rates retention**

Up to 2012-13 non-domestic rates have been distributed to local, police and fire authorities in proportion to their relative needs and resources as assessed by Government and shared between authorities according to the services they provide under the Local Government Finance Act 1988. This will continue in respect of police formula grant and other funding streams not being provided through business rates retention. From 2013-14, however, part of the GLA, LFEPA and TfL’s funding will be provided through retained business rates provided by London boroughs.

It is expected that new Regulations - the Non-Domestic Rating (Rates Retention) Regulations 2013 - will come into force before the beginning of the 2013-14 financial year, and that these will provide for billing authorities in London (the 32 boroughs and the City of London) to pay part of their non-domestic rating income to the GLA.

The GLA is forecast to receive around £1.3bn from London billing authorities in NDR income annually – and from this sum will be required to make an annual tariff payment to DCLG estimated at £342.3 million (rising in line with RPI) until the rates retention system baselines are reset. The balance of any rates income received from billing authorities – allowing for volatility in the rating list year on year – will be available to support GLA Group services. The Government proposes that these baselines will be reset in 2020.

### **5.5 Fares**

The Mayor sets the general level of fares for all transport services under his control (s. 174(1) GLA Act) by way of a direction issued to TfL under s.155 of the GLA Act issued to TfL.

### **5.6 Road user charging net revenues**

Net revenues from the Congestion Charging Scheme are ring-fenced for spending on measures that support the Mayor's Transport Strategy. Although no surplus is expected from the Greater London Low Emission Zone charging scheme, any such surplus would be similarly dealt with (Schedule 23, paragraph 16, GLA Act).

### **5.7 Business rate supplement**

The GLA is defined as a levying authority under s.2 of the Business Rate Supplements Act 2009 ("BRS Act") and has the power to levy a business rate supplement ("BRS") on non-domestic ratepayers in Greater London for expenditure on a project that it is satisfied will promote economic development in Greater London. In April 2010 the GLA introduced the Crossrail Business Rate Supplement to raise moneys for the Crossrail Project.

The GLA must ensure that the sums it receives in respect of a BRS are used only for expenditure on the project to which the BRS relates and that the GLA would not have incurred that expenditure had it not imposed the BRS; it may make arrangements with a functional body for some or all of the sums that the GLA receives in respect of a BRS imposed by the GLA to be used by the body for expenditure on the project to which the BRS relates (s.3 BRS Act).

The GLA has made such arrangements with TfL in respect of the Crossrail Business Rate Supplement. The GLA must keep a revenue account that is used solely for the BRS and must secure that sums received in respect of it are credited to that account (Schedule 3, paragraph 1 (1) BRS Act).

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