

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

**PART 1**

**Summary**

This report presents the Mayor's Budget proposals for the Greater London Authority (GLA) and its functional bodies for the next financial year. The Budget is still in draft form and will be changed before being presented to the Assembly on 25 February as the Mayor's final budget.

**1 Introduction**

- 1.1 The budgetary process is to a large extent governed by the provisions of sections 85, 86 and 87 and Schedule 6 of the Greater London Authority Act 1999 ("the GLA Act").
- 1.2 The Mayor is required to determine consolidated and component council tax requirements for 2013-14 and it is these that the Assembly has the power to amend. The individual Mayor, Assembly and functional body council tax requirements are consolidated to form the consolidated council tax requirement for the GLA Group. The arrangements for Council Tax referenda and the possible impact that would have on the council tax requirement setting process are set out in a separate accompanying document, Part III of this Budget.
- 1.3 The Mayor and the Assembly have a duty to prepare and approve for each financial year a budget for each of the constituent bodies (a component budget) and a 'consolidated budget' for the Authority. A component budget is defined as consisting of a statement of the amount of component council tax requirements for the constituent body concerned and the calculations under the relevant section of the GLA Act which give rise to this amount. Also, a consolidated budget must consist of statements of the amount of the Authority's consolidated council tax requirement, the amount of the component council tax requirements for each constituent body and the calculations under the relevant section of the GLA Act which give rise to each of these amounts.
- 1.4 A summarised version of the budget setting process is, as follows:
  - (a) The Mayor must prepare for each financial year a budget for each of the constituent bodies and a consolidated budget for the GLA and the functional bodies as a whole (the Authority's consolidated budget). For this purpose, the Mayor of London and London Assembly are treated as separate constituent bodies;
  - (b) Before arriving at the final budget, a draft of the budget for each component body will be the subject of consultation with the relevant body and the Assembly respectively. This has been done (see paragraph 3.1);

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- (c) After preparation of those drafts, the Mayor is required to prepare a draft of his proposed consolidated budget for consultation with the Assembly. The Assembly had resolved that the Mayor should consult its Budget and Performance Committee. Such consultation occurred and the Committee considered that document on 9 and 14 January. The Mayor is also required within the same timeframe to consult with other bodies or persons that he considered appropriate. This also occurred (see paragraph 3.1).
- (d) Following consultation, the Mayor determines the draft consolidated budget, publishes it and presents it to the Assembly at a public meeting. The draft consolidated budget that has been determined is attached to this statement and the Assembly must approve this budget (with the draft component budgets comprised in it) with or without amendment.
- (e) After the draft consolidated budget has been approved, with or without amendment, the Mayor will prepare and publish a final draft of his proposed consolidated budget for the next financial year. If the final draft budget to the Assembly does not incorporate the Assembly's amendments the Mayor must state his reasons for not doing so. Also, if that final draft is different to the original draft with or without amendments, the Mayor must lay a written statement before the Assembly of his reasons for the changes. This final draft must be considered at a public meeting of the Assembly and approved with or without amendment before the last day of February. Any amendment must at this stage be agreed by at least two thirds of the Members voting. The resulting budget will be the approved consolidated budget for the financial year 2013-14.

1.5 Consequently, the Assembly must approve the draft consolidated budget presented as attached with or without amendment. If no amendments are made, the draft consolidated budget shall be deemed to be approved.

## **2 Documentation**

- 2.1 Annex A to this statement presents the Mayor's draft consolidated budget as defined in the GLA Act.
- 2.2 A separate accompanying document (Part II of the Budget) provides an explanation of the budget proposals. This is in the same format as the consultation paper summarising the draft budget and its precept requirement which was published on 2 January 2013. The last appendix to that document lists the changes that have been made to the consultation paper.
- 2.3 Another separate accompanying document (Part III of the Budget) provides financial and legal advice to the Mayor and Assembly, and this includes separate advice on the setting of the Assembly component budget.

### **3 Consultation Process and Responses**

- 3.1 In addition to consulting the Assembly and the constituent functional bodies, in preparing his draft budget the Mayor must consult other bodies and may consult others as appear to him appropriate. The Mayor issued draft component budget proposals to each functional body on 19 October 2012 for consultation that they were invited to respond to by 19 November 2012. The budget consultation paper issued on 2 January has been widely circulated to each functional body, London borough councils, the Common Council of the City of London, London Councils and a wide range of business and representative organisations. It was also placed on the Greater London Authority website, enabling members of the public to make their comments. A summary of the responses and copies of all responses received are being made available to Assembly Members concurrently with this Budget.

### **4 The Mayor's Approach to Decision Making**

- 4.1 The Mayor has a number of statutory functions that must be fulfilled on behalf of Londoners and reflected in a financially balanced budget. These include major responsibilities in respect of policing, transport, fire and emergency planning, economic regeneration, housing, planning, waste, culture and sport, health, sustainable development, energy, climate change and Mayoral Development Corporations.
- 4.2 The Mayor also has a number of discretionary functions, in particular a general power to do anything to further the principal purposes of the Authority, i.e. promoting economic development and wealth creation, social development and the improvement of the environment in Greater London. In the exercise of his functions the Mayor also has to have regard to the need to promote equality of opportunity for all people irrespective of their race, sex, disability, age, sexual orientation or religion.
- 4.3 To help fulfil these functions and responsibilities, but subject to the information available on future grant settlements, the budget development process is a key element of the planning framework and has an important purpose of ensuring there are sound medium term financial plans within which all Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will inevitably exist. This means ensuring that the estimates of income and expenditure (including appropriate consideration of the effects of inflation), Government funding, retained business rates and council tax are soundly based, with appropriate and sufficient reserves, paying due regard to professional and statutory guidance. This is reinforced by the Local Government Act 2003 which requires the Authority's Chief Finance Officer to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed financial reserves.

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- 4.4 A primary aim of the budget process is to provide a financially balanced budget, as a basis for an efficient and effective use of available resources. The aim is to secure a fair and reasonable balance between the discharge of obligatory and discretionary responsibilities for the provision of services and the financial burden upon those required to finance the net cost.
- 4.5 This approach was reflected in the Mayor's guidance for the preparation of budget submissions for 2013-14 and future plans which was issued to the GLA Group in June 2012. It has also been supplemented through a series of meetings with the functional bodies and GLA officers to ensure the guidance remains valid and responsive to emerging needs and changing circumstances. The functional bodies and the Assembly's Budget and Performance Committee have also played a major role in the preparation and scrutiny of budget proposals.

## **5 New Local Government Finance Regime**

- 5.1 A new financial regime comes into place for 2013-14. The GLA is due to receive some £1.3 billion of business rates income of which over £340 million will be paid to the Government, with the balance used to fund services across the GLA Group. This new regime will allow the GLA scope to retain some of the growth in business rates in London. A further change is the localisation of Council Tax Benefits alongside a 10 per cent reduction in Government support. Details of these changes are set out at Appendix H of Part II of the Budget.
- 5.2 Although the introduction of retained business rates allows authorities to share in the growth in their areas, and the Council Tax Benefits changes are designed to incentivise claimants to gain employment, this new financial regime leads to increased uncertainty in the setting of the GLA's budget. The Authority awaits final returns from Boroughs on retained business rates and localised benefits schemes which will change the final precept calculations. The GLA is vulnerable to volatility in these returns and the practical implementation of the new regime, as the Authority has to meet the first £71 million of any loss of income before a safety net applies. The precept resilience reserve has been enhanced to help manage these issues and the position will be monitored closely.
- 5.3 An additional uncertainty arises from the impending Spending Review for 2015-16 onwards. Until the results of the review are announced, probably in the summer, across the GLA Group there will be no firm detail of the scale of capital and revenue expenditure that can be supported over the medium term.

## 6 The Mayor's Budget Proposals

### Consolidated Council Tax Requirement

- 6.1 On 2 January 2013 the Mayor commenced consultation on the budget for 2013-14. More detail is contained in the accompanying explanatory document (Part II of the Budget) and in the reports relating to draft budget and business plan proposals considered by the functional bodies and the Assembly's Budget and Performance Committee during the course of the year.
- 6.2 The Mayor's overall proposed consolidated council tax requirement has not changed from the Budget Consultation Document. Once final returns are made by the 33 billing authorities in London of their retained business rates and council tax bases, there will be changes to the final precept calculations. However, the Mayor is proposing a reduction in the Band D Council Tax of 1.2 per cent from £307.62 to £303.00 in 2013-14.
- 6.3 The Mayor's financial planning guidelines in his budget guidance reflected the nature and specific circumstances of each member of the GLA Group. Changes in the component amounts for each functional body are not uniform, reflecting their different funding settlements from Government and the new financial regime from 2013-14. The Mayor has decided to fully passport notional shares of retained business rates to functional bodies for 2013-14.
- 6.4 The Mayor's 2013-14 budget proposes significant efficiencies and savings across the Group. A consultation exercise is underway to rationalise the police estate and a consultation exercise will commence shortly on the Draft Fifth London Safety Plan. However, the Budget also allows significant capital investment in London's transport infrastructure and to deliver the Olympic Legacy.

### Mayor of London

- 6.5 Except for activities prescribed by the GLA Act as falling within the component budget for the Assembly, the budget for the Mayor of London covers all of the GLA's activities.
- 6.6 The GLA is required to determine a separate council tax requirement for both the Mayor and the Assembly. This means that the GLA's grant funding and retained business rates must be apportioned between the Mayor and Assembly. The combined council tax requirement for the GLA for 2013-14 is £75.4 million, comprising £72.8 million for the Mayor and £2.6 million for the Assembly. The methodology used to calculate this is set out in Part II of the Budget.
- 6.7 The GLA's budget constraints over the current Spending Review period to 2014-15 emphasise the need for all GLA programmes and projects to show they deliver value for money and meet Londoners' and Mayoral priorities. The budget setting process has therefore continued to pursue the project prioritisation approach initiated by the Mayor during last year's budget setting process to ensure that the organisation remains fit for purpose. A series of staffing restructuring exercises in late 2012 and early 2013 have complemented the project prioritisation process.

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- 6.8 As a result of its devolution settlement from Government, the GLA has assumed considerable new responsibilities for the delivery of publicly funded housing programmes in London. The land and property assets transferred from the HCA, LDA and LTGDC in London provide an important platform for accelerating home building and regeneration.
- 6.9 The GLA is leading on the delivery of the Mayor's target of 55,000 affordable homes and the development of a land portfolio in excess of 500 hectares.
- 6.10 Between 2012 and 2015, the Mayor is investing £1.8 billion to support the delivery of new affordable homes, tackle wider housing shortages and improve existing homes. These programmes are helping to create an estimated 100,000 construction jobs. There is as yet no agreed Government allocation for 2015-16 and beyond.
- 6.11 The Mayor is taking forward the accelerated development of housing provision on a range of major sites including Barking Riverside and the Greenwich Peninsula and, through the LLDC, the planning and procurement of housing on the Olympic Park. Other high-profile and complex projects include the Royal Docks, consolidating the regeneration of East London. The Mayor is also supporting boroughs to improve their homes to the Decent Homes standard.
- 6.12 In addition to the housing programmes inherited from the HCA, the Mayor launched the Mayor's Housing Covenant of up to £100 million to incentivise a mix of flexible affordable home ownership (rent to save, shared ownership or shared equity), FirstBuy and other proven affordable home ownership options. Delivery will start in 2013 and will continue to 2016.
- 6.13 While the No Second Night Out programme has met considerable success in ensuring that 88 per cent of the people did not spend a second night out, rough sleeping in London is increasing. The Mayor is therefore investing a further £4.9 million over the next two years to ensure there is capacity to address the issue, and towards his ambition to end rough sleeping in the capital. This takes GLA's investment to over £16.8 million in the next two years.
- 6.14 This budget allocates £7 million to secure London's sporting legacy. This second tranche of funding will build on the £15.5m investment from GLA (which leveraged another £15m from external organisations) delivered in the four years to the Olympic Games, ensuring that London does not lose its momentum from the Olympic and Paralympic Games.
- 6.15 The Mayor is committing substantial resources over the next three years to help areas and people affected by the riots, as well as outer London centres and high streets suffering hardest from the economic downturn.

- 6.16 The Mayor's Regeneration Fund Programme of £70 million, together with the Outer London Fund programme of up to £50 million, supports regeneration in high streets and neighbourhoods. These two funds leverage a further £63 million from boroughs and other external organisations including the private sector. Between them, these programmes are supporting London's local authorities in delivering physical and economic regeneration projects which benefit Londoners at a local level.
- 6.17 Strategic work will continue to progress the regeneration of Crystal Palace; £2 million for development is being carried forward from 2012-13 for that purpose over and above the maintenance budget.
- 6.18 The Growing Places Fund will deliver a further £111 million of investment, guided by the business-led London Enterprise Panel (LEP) put in place by the Mayor to promote growth and drive job creation across London. In addition, the LEP is overseeing the business rate growth from the Royal Docks' Enterprise Zone, which is to be retained by London. In both cases, the GLA is the accountable public body for the funds.
- 6.19 The Growing Places Fund will help support Small and Medium Sized Enterprises (SMEs), and deliver growth and employment in sectors that include innovation, science and technology. It will also invest in London's transport and other infrastructure to ensure the capital's economy remains competitive.
- 6.20 The GLA has received £25 million of funding from the Government to deliver London's Super-Connected City Plan. This will underpin the capital's aspiration for contiguous ultrafast connectivity, provide the digital infrastructure needed for the new economy and help East London realise its full economic potential.
- 6.21 The GLA will continue to support London and Partners which was set up by the Mayor in 2011. The GLA's £11.9 million investment in 2013-14 aims to attract visitors, students and direct foreign investment to the capital and to create direct and tangible benefits for London in terms of spend and employment.
- 6.22 Youth unemployment continues to be a key concern and action in this area is a top Mayoral priority. The GLA is focusing resources and efforts on driving up apprenticeships in London, including through GLA Group, with £650,000 over the next two years for the suppliers skills programme. This will support the delivery of the Mayor's target of 250,000 apprenticeship starts over his second Mayoralty.
- 6.23 There will be GLA investment of £2.4 million in 2013-14 for major skills and employment projects. These projects will continue to give workless people from all over London, and particularly East London where unemployment is especially high, the skills and support they need to take advantage of opportunities that will lead to sustained employment.

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- 6.24 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.
- 6.25 The Drain London initiative will continue, developing a pipeline of strategic flood risk management projects across London, increasing the capital's resilience against risks from surface water flooding.
- 6.26 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 boroughs.
- 6.27 The London's Great Outdoors programme will invest £5.6 million over the next two years towards the creation of 100 pocket parks, support to the "All London Green Grid" strategic projects and the planting of another 10,000 trees for London. The investment from the Outer London Fund will dovetail with this programme to ensure that town centres across London benefit from the regeneration impact and quality of life improvements.
- 6.28 The successful school retrofit programme – which the GLA delivered on behalf of the Olympic Delivery Agency in 2012-13 – will be expanded London-wide supported through European funding. Discussions are continuing with the Department for Energy and Climate Change (DECC) to ensure that London can fully benefit from the Green Deal and the Energy Company Obligation (ECO), as successors to the RE:NEW programme. Nearly £1 million is being invested in RE:FIT next year, aiming to take the total number of GLA Group buildings retrofitted to more than 100.
- 6.29 The GLA European Social Fund Youth Programme (2011-13) 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.
- 6.30 The Mayor is also taking on new responsibilities with regards to Free Schools in London, including the identification of sites. Following discussions with the Department for Education, over £23 million will be invested over the next three years to support delivery of the Education Inquiry including the set-up of a London Schools Excellence Fund.

- 6.31 The Mayor has also made commitments to drive up delivery on volunteering. It is essential to build on the critical roles played by volunteers in the successful delivery of the Games, and to harness the energy and enthusiasm which came out of the Ambassadors programme.
- 6.32 The Mayor pledged to support or promote up to 10 academies in 2008, and 4 are already in train, receiving just above £1 million over the next three years. London's early involvement has proved pioneering and the GLA Group will continue to look at the best ways to support further academies.
- 6.33 This work is complemented by the Mayor's supplementary schools project which provides funding for organisations to scale up a range of in-school programmes to improve young people's behaviour, academic attainment and to raise their aspirations. £1.4 million is being invested over the next three years.
- 6.34 Investment will continue to promote and reinforce London's strengths on film, design and fashion with £2.3 million set aside for this purpose in 2013-14. Work will also be taking place to ensure that London is able to fully harness the forthcoming tax-break to be introduced by government on video games, animation and high-end television production. The Fourth Plinth will also continue to showcase London's creativity with a new round of commission expected next year.
- 6.35 The budget also includes £61.0 million for the 2013-14 council tax contribution to support the cost of delivering the 2012 Olympic Games and the Paralympic Games. The present forecast is that £625 million will be raised by a Band D amount of Council Tax of £20 for 10 years and approximately £9 in year 11 in 2016-17.
- 6.36 The budget also makes provision for £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 the 2p business rates supplement (BRS) on large non-domestic properties.

### **London Assembly**

- 6.37 The budget for the Assembly reflects its current staffing establishment, approved levels of Member and group support and approved policies. It includes efficiencies of £0.3 million in 2013-14. The Assembly's net expenditure is £7.4 million in 2013-14. This is £0.3m higher than the amount in the Mayor's consultation document and reflects a revised basis for securing savings required to offset reductions in government grant. It also recognises the contribution the Assembly is making to securing efficiency savings in the use of City Hall and the provision of shared services to the functional bodies. The Assembly's council tax requirement – net of its apportioned share of the provisional GLA general grant and retained business rates – is estimated at £2.6 million.

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### Mayor's Office for Policing and Crime

- 6.38 The Mayor's draft Police and Crime Plan, developed by the Mayor's Office for Policing and Crime (MOPAC) and currently subject to an extensive public consultation, confirms the Mayor's commitment to maintain police numbers at or around 32,000. The draft plan includes a new local policing model that redeploys officers from the back office to the frontline with an additional 2,600 officers in Safer Neighbourhood Teams. The new policing model will make the police more visible and accountable to local people.
- 6.39 For policing the Mayor has set the Met a core objective to meet the 20-20-20 challenge by 2016. This is to cut seven priority high impact, high volume, neighbourhood crimes by 20 per cent; boost public confidence in the Met by 20 per cent – to help the police improve their connection with Londoners; whilst making 20 per cent savings in the Met budget (for 2013-14 savings and efficiencies total £315 million, and contribute to a reduction in the MOPAC council tax requirement to £557.1 million).
- 6.40 In order to meet these challenges the Met is undergoing a fundamental reform which will see by 2015 the number of senior managers reducing from 37 to 26; the number of supervisors reducing from 7,160 to 6,022; but the number of police constables increasing from 24,630 to 25,909.
- 6.41 In the current economic climate, the decision to focus on street policing and prioritise keeping police numbers high means it will be necessary to sell many of the under-used and outmoded buildings in MOPAC's estate. With almost 500 buildings, costing £203 million a year to run, the estate is vast and expensive. The draft MOPAC Estates Strategy, which is also subject to consultation, proposes a reduction in the size of the estate from 900,000 square metres to 600,000 square metres.
- 6.42 To achieve that aim MOPAC plans to sell New Scotland Yard HQ and around 200 of its least used buildings, the majority of which currently have no form of public access. Alongside reductions in civilian staff and savings in IT and back office, the estate plans are projected to save £60 million in running costs that can help balance MOPAC's budget and protect frontline policing.
- 6.43 The estate includes 136 front counters open to the public. The overwhelming majority of visits take place at around half of these counters. Across the whole of London, less than 50 crimes a night are now reported at front counters in police stations and there were 12,000 fewer front counter visits between 2011 and 2012. As a result 65 of the least utilised front counters are proposed for closure. 71 will remain open and the draft plan guarantees at least one 24-hour station in each borough, whilst seeking to make it easier and more convenient for Londoners to access the police in new ways. The new forms of public access presently being consulted upon will help reconnect the police and public.

- 6.44 Other highlights of the draft Police and Crime plan include the creation of a £1 million Crime Prevention Fund from which new Safer Neighbourhood Boards in every borough (from 2014) will be able to bid to fund local projects. There will be better working with partner organisations to identify crime hotspots and develop smarter solutions to alcohol and drug-related crime including the roll-out of the pilot Alcohol Abstinence Monitoring Requirement. Also existing funding agreements will be extended for all four rape crisis centres in London, guaranteeing the continuation of their services

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

- 6.45 LFEPA faces a challenging financial situation, with further anticipated savings of some £34.4 million to make over 2013-15. Although their 2013-14 budget is effectively balanced, the scale of savings required in 2014-15 means that a full consultation on fundamental changes needs to be carried out.
- 6.46 LFEPA met on 21 January and rejected the Fire Commissioner's proposal to undertake a full consultation on the parts of the Draft Fifth London Safety Plan 2013-16 relating to closure of fire stations, loss of appliances and reduction of operational staff. These proposals will, according to the Fire Commissioner, enable improvements in operational efficiency and effectiveness of fire services in London and response times will continue to be met and enable more boroughs to meet those targets.
- 6.47 The Mayor does not consider any proposal to move much-needed resources from elsewhere in the GLA Group to improve LFEPA's forecast budget position for 2014-15 as prudent or sustainable in future years, as each body in the Group is facing similar funding pressures as LFEPA. As a result, it is not realistic for LFEPA or other parties to expect resources from elsewhere in the GLA Group to meet its budget challenges.
- 6.48 As set out in the Fire Commissioner's proposed implementation timetable, LFEPA needs to begin consultation very shortly on its Draft Fifth London Safety Plan 2013-16 as any delays will jeopardise the delivery of a package of financial savings by the beginning of the 2014-15 financial year on 1 April 2014. Not only will the consultation process for the Draft Plan last for a number of months but the implementation of decisions made following the consultation will need to be scheduled in and will take months rather than weeks.
- 6.49 LFEPA Members have had numerous opportunities in late 2012 and early 2013 to bring forward alternative plans to meet the challenges facing LFEPA in the period from 2013 to 2016 covered by the Draft Fifth London Safety Plan 2013-16. The fact that a properly constructed alternative viable option has not been put forward by LFEPA Members has led the Mayor to revert to the proposals worked up by the Fire Commissioner as a basis for consultation.

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- 6.50 The Mayor has not sought out or commissioned an option of his own; instead he has placed reliance on the professional advice provided by the Fire Commissioner. Accordingly, the Mayor is issuing a direction to LFEPA to commence public consultation upon the version of the Draft Fifth London Safety Plan 2013-16 which was submitted to the Authority on 21 January.
- 6.51 It is anticipated that after having taken into account the consultation responses and having made any necessary amendments, the final Fifth London Safety Plan 2013-2016 will be adopted in June 2013. Subject to the consultation responses and any subsequent amendments made to the Plan, implementation of the agreed Plan affecting fire stations is anticipated to be made by October 2013. Implementation of other proposals in the plan would occur over the lifetime of the plan.

### **Transport for London**

- 6.52 With London's population forecast to grow by one million people in the next 20 years, it is essential that we continue to invest in making our transport network more reliable and that we enable the London and UK economy to grow and prosper in the years ahead. Under the current spending review settlement agreed with Government in 2010, funding has been established for the Mayor's plans up to the end of the 2014-15 financial year. The Government is seeking to reduce this funding and the degree to which the Mayor's plans are affected is under discussion at the time of this Budget's publication. Nonetheless this Budget demonstrates many commitments that ensure investment in London's transport infrastructure continues to increase.
- 6.53 TfL's ten year investment plans will deliver substantial upgrades and improvements in day-to-day service reliability to support jobs, economic growth and prosperity for the entire country. They include £300 million of new investment to improve the transport infrastructure in key areas of the capital where that work can help accelerate development and provide the catalyst that will lead to thousands more homes and jobs for Londoners. Areas such as Elephant & Castle, Tottenham Hale and Woolwich are just a few of the areas that will be the recipients of funding to develop local transport networks. East London remains one of London's most important regeneration areas and 20,000 new jobs are forecast for Stratford alone by 2015.
- 6.54 To meet demand for London Overground services that have shot up by 160 per cent in the last five years, an extra carriage will be added on all London Overground trains. When this is combined with a proposed increase in frequency of services it will provide an increase in peak capacity of at least 25 per cent.
- 6.55 Reliability on the London Underground is at a record high, but the Mayor and TfL are committed to improving reliability even further. TfL's Business Plan includes £280m to be spent on a programme to meet the Mayor's manifesto commitment of reducing Tube delays by a further 30 per cent by 2015

- 6.56 The plans also include delivery of the first phase of the Northern line upgrade which will reduce journey times and increase capacity; new air conditioned trains on the Circle, Hammersmith & City and District lines; Tramlink platform improvement works at Wimbledon to reduce congestion and improve reliability; continuing a range of improvements to cycling, including completion of new Barclays Cycle Highways and implementation of the actions identified in the better junctions review; and contributing to the completion of Crossrail, which will open in 2018. Crossrail will link east to west London, increasing rail capacity in the capital and reducing congestion on the Tube.
- 6.57 The TfL Business Plan also allocates £90 million to continue to create a more environmentally friendly and energy efficient network in support of the Mayor's vision for a greener London. That money will help fund 600 more hybrid buses, provide a cleaner energy supply for the Tube and measures to deliver the Mayor's vision for a low emission vehicle London. TfL will also retrofit its estate with energy efficiency measures – looking to fund the investment required to deliver further energy efficiency and low carbon energy solutions by using the savings or future income streams that these projects will provide to offset the initial costs. This will allow TfL to reduce its environmental impact at no net cost to the tax or farepayer.
- 6.58 On top of the investment described above there will also be a new £6m Mayor's Air Quality Fund that will provide match-funding for innovative schemes and projects to those boroughs who make a commitment to tackle air pollution. TfL will increase resources available to around £20m once the initial fund spending has been assessed for its impact.
- 6.59 The overall level of investment is possible in part because of TfL's pursuit of efficiencies. Over the 3 year period 2011-12 to 2014-15, TfL have committed to achieving total savings of £4.4 billion, of which almost £0.5 billion (£494 million) is additional and still needs to be secured. The total savings for 2013-14 is £1.5 billion of which £134 million is additional and will require action to ensure it is delivered in year. The rest is secure.
- 6.60 The main sources of funding for TfL are fares and grant income. With the receipt of additional grant income, the Mayor has announced the January 2013 fare increase for 2013 to be held at RPI+1 per cent. This increase is necessary to maintain neo-Victorian levels of investment in our transport infrastructure, so our Capital can emerge from the current economic difficulties more competitive than ever. In partnership with the London Boroughs, all existing free and concessionary travel schemes, including the 24 hour Freedom Pass for older and disabled Londoners have been protected.

#### **London Legacy Development Corporation**

- 6.61 To ensure that London benefits from a lasting legacy from the Olympics, the Mayor has set up a dedicated body, the LLDC, to transform the Olympic Park and surrounding area with plans for 7,000 new homes and supporting social infrastructure such as schools and medical facilities. Alongside the new homes will be public realm and development projects across the entire Park. The budget allocates £10 million in 2013-14 from the GLA towards LLDC activities which is in addition to the £293 million of resources to be provided by the Government.

### Future Years

- 6.62 The Mayor has issued further details of the prospects for the GLA Group for future years (section 8 of Part II the budget). It is important to recognise the caveats and limitations of this analysis, in particular the impending Spending Review for 2015-16 onwards

## 7 The Impact on Local Taxpayers

- 7.1 In deciding on the proposed spending plans across the GLA group of £16.8 billion gross the key priorities have been to invest in London's infrastructure whilst reducing the Council Tax Precept. At the end of 2013-14, the precept will have fallen in real terms by some 20 per cent since May 2008.
- 7.2 The increase in capital expenditure overall across the Group by some £650 million whilst reducing the precept has been largely achieved by the Mayor securing a favourable London Settlement and making savings and efficiencies of over £400 million in 2013-14. The GLA will also receive a Council Tax Freeze grant of £9.4 million for the next two years as a result of the decision to reduce the GLA precept in 2013-14.
- 7.3 Subject to certain key financial information being confirmed, the Mayor's budget requires a Band D Council Tax of £303.00 for 2013-14 in the London boroughs, and £82.75 in the area of the Common Council of the City of London. This is provisionally estimated to generate £766.8m.

### Capital Spending

- 7.4 The Mayor published his Draft Capital Spending Plan for consultation on 2 January 2013, as part of the Budget Consultation Document. Proposed capital spending across the Group totals £5.6 billion, the largest element being GLA and TfL's contributions to Crossrail. The estimated capital financing costs of this Capital Programme are £565 million in 2013-14. Details are set out in section 9 and the relevant Appendices of Part II to the draft budget. The proposed programme of capital spending is reflected fully in these budget proposals.

### Council Tax Referendums

- 7.5 The system of council tax capping has been replaced with arrangements for council tax referendums. These changes require the Mayor to hold a referendum to approve proposed council tax increases where these exceed a threshold set by Parliament. 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 provisional principles is, 2 per cent. If the draft budget did not comply with these principles the Mayor would be required to present, additionally, a substitute budget which did. This, subject to any amendments agreed by the required two thirds majority would become the default budget if the referendum was lost. More details of this process are set out in part III of the Budget.

- 7.6 In view of the proposed reduction in the precept for 2013-14 there will be no requirement to hold a referendum – on the basis of the Mayor’s draft budget – and therefore a substitute budget has not been prepared. 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 tax exceeding £312.86) then it would also be required to agree a substitute budget which resulted in a council tax of £312.86 (or lower).
- 7.7 The draft budget includes forecast income of £9.4million 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. 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 then this council tax freeze grant would not be available to support the 2013-14 and 2014-15 group budget. Any precept increase would however form part of the base council tax moving forward.

## 8 Conclusions

- 8.1 In considering the Mayor's budget proposals and any amendments they wish to make at this stage, Assembly Members must also consider the need to secure a financially balanced budget and achieve a balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost.
- 8.2 In commending the budget proposals to the Assembly the Mayor believes that Londoners recognise and support his plans to reduce the GLA Group’s share of the Council Tax for the second year running while continuing to maintain and invest in public services in London.
- 8.3 The Mayor is satisfied that he has weighed respective interests fairly and that his reduction in the Council Tax will not adversely affect the front line service delivery of his statutory and discretionary responsibilities. The Mayor believes that the proposals will make a significant contribution to improving Londoners’ quality of life and supporting London’s economy.

## Draft Consolidated Budget for 2013-14

### 9 Recommendations

- 9.1 On the basis of the information set out in this statement and accompanying documents, that the Assembly approves the Mayor's final draft consolidated council tax requirement for the GLA and the functional bodies of **£766,831,957** as contained in **Annex A** . This is after applying the GLA's share of the net surplus on the collection funds of the 33 London billing authorities (assumed at this stage to be zero) which falls within the component budget for the Mayor of London for the purpose of these statutory calculations under sections 85 to 88 of the GLA Act.
- 9.2 This draft consolidated council tax requirement is made up as follows:

<i>Constituent body</i>	<i>Component council tax requirement</i>
Mayor of London	£72,756,150
London Assembly	£2,600,000
Mayor's Office for Policing and Crime	£557,105,432
London Fire and Emergency Planning Authority	£128,370,375
Transport for London	£6,000,000
London Legacy Development Corporation	£NIL
<b>Total Consolidated Council Tax Requirement</b>	<b>£766,831,957</b>

#### **Boris Johnson**

Mayor of London

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

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

Line	Sum	Description
(1)	£738,743,407	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the GLA Act
(2)	£5,600,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the GLA Act
(3)	0	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the GLA Act
(4)	0	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the GLA Act
(5)	<b>£744,343,407</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)	-£495,518,000	estimate of the Mayor's income not in respect of government grant or retained business rates 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
(7)	-£14,573,214	estimate of the Mayor's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(8)	-£35,849,927	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)	-£29,838,491	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>-£671,587,257</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>£72,756,150</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 draft component council tax requirement for the Mayor for 2013-14 is £72,756,150**

**Greater London Authority: London Assembly (“Assembly”) 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 or retained business rates 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 draft component council tax requirement for the Assembly for 2013-14 is £2,600,000.**

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

Line	Sum	Description
(25)	£3,269,900,000	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>£3,297,200,000</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 or retained business rates calculated in accordance with s85(5)(a) of the GLA Act
(31)	-£473,800,000	estimate of the MOPAC's special & specific government grant income calculated in accordance with s85(5)(a) of the GLA Act
(32)	-£1,969,194,568	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>-£2,740,094,568</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>£557,105,432</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 draft component council tax requirement for the MOPAC for 2013-14 is £557,105,432.**

## London Fire and Emergency Planning Authority (“LFEPA”) 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 or retained business rates 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)	-£163,550,650	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)	-£108,850,384	estimate of LFEPA’s income in respect of retained business rates in accordance with a85(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>-£316,701,034</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>£128,370,375</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 draft component council tax requirement for LFEPA for 2013-14 is £128,370,375.**

## Transport for London ("TfL") 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 or retained business rates 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 draft component council tax requirement for TfL for 2013-14 is £6,000,000.**

## London Legacy Development Company ("LLDC") 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 or retained business rates 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 draft component council tax requirement for the LLDC for 2013-14 is £0.**

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

Line		Description
(61)	<b>£766,831,957</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 draft consolidated council tax requirement for the GLA for 2013-14 is £766,831,957**

## Aggregate GLA Group budget for 2013-14

£	GLA: Mayor	GLA: Assembly	MOPAC	LFEPA	TfL	LLDC	Total
Estimated gross expenditure	£738,743,407	£7,607,000	£3,269,900,000	£445,071,409	£6,731,775,000	£44,200,000	£11,237,296,816
Estimated allowance for contingencies	£5,600,000	£0	£0	£0	£0	£0	£5,600,000
Estimated reserves to be raised for meeting future expenditure	£0	£0	£27,300,000	£0	£0	£0	£27,300,000
Estimate of reserves to meet a revenue account deficit	£0	£0	£0	£0	£0	£0	£0
<b>Estimated total expenditure</b>	<b>£744,343,407</b>	<b>£7,607,000</b>	<b>£3,297,200,000</b>	<b>£445,071,409</b>	<b>£6,731,775,000</b>	<b>£44,200,000</b>	<b>£11,270,196,816</b>
Estimate of income not in respect of government grant or retained rates (including the collection fund surplus)	-£495,518,000	-£175,313	-£297,100,000	-£30,100,000	-£4,773,000,000	-£38,700,000	-£5,634,593,313
Estimate of special & specific government grant income	-£14,573,214	£0	-£473,800,000	-£10,900,000	-£1,150,000,000	£0	-£1,649,273,214
Estimate of general government grant income	-£35,849,927	-£2,786,405	-£1,969,194,568	-£163,550,650	£0	£0	-£2,171,381,550
Estimate of Retained Business Rates	-£29,838,491	-£2,045,282	£0	-£108,850,384	-£802,775,000	£0	-£943,509,157
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>-£671,587,257</b>	<b>-£5,007,000</b>	<b>-£2,740,094,568</b>	<b>-£316,701,034</b>	<b>-£6,725,775,000</b>	<b>-£44,200,000</b>	<b>-£10,503,364,859</b>
<b>Council tax requirement</b>	<b>£72,756,150</b>	<b>£2,600,000</b>	<b>£557,105,432</b>	<b>£128,370,375</b>	<b>£6,000,000</b>	<b>£0</b>	<b>£766,831,957</b>