

# Mayor's Background Statement in support of his Draft Consolidated Budget for 2009-10

## Summary

This report presents the Mayor's Budget proposals for the GLA and the functional bodies for the next financial year. The Budget is still in draft form and may be changed before being presented to the Assembly on 11 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, as amended by the Greater London Authority Act 2007. A summarised version of that 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 the purposes of budgeting, 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.
  - (c) After preparation of those drafts, and on or before 1 February, the Mayor will prepare a draft of his proposed consolidated budget for consultation with the Assembly or, if the Assembly has so resolved – as it has in fact done – with the Budget and Performance Committee. Such consultation occurred and the Committee considered that document on 16 December and 6 January. The Mayor shall also within the same timeframe consult with other bodies or persons that he considers appropriate. This also occurred (see paragraph 3.1).
  - (d) After such other 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, at the time the Mayor presents the final draft budget to the Assembly, 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 2009-10.

1.2 So, in accordance with the above, the Assembly must approve the draft consolidated budget with or without amendment. If no amendments are made, the draft consolidated budget shall be deemed to be approved without amendment.

## **2 Documentation**

2.1 Annex A to this statement presents the Mayor's draft consolidated budget as defined in the Greater London Authority Act 1999, as amended by the Greater London Authority Act 2007.

2.2 A separate accompanying document provides an explanation of the budget proposals. This is in the same form as the consultation paper summarising the draft budget and its precept requirement which was published on 11 December. The last appendix to that document lists the changes that have been made to the consultation paper.

2.3 Another separate accompanying document provides financial and legal advice to the Mayor and Assembly, and this includes separate advice on the setting of the Assembly component budget in light of the change introduced by the GLA Act 2007.

## **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 budget consultation paper has been widely circulated to London borough councils, London Councils, and a wide range of organisations including the London Voluntary Service Council, Consortium of LGTBVC Organisations, London Older People's Strategy Group, London Sustainable Development Commission, London Civic Forum, London faith groups, trade unions, BAME representative organisations and representative London business 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 have been made available for Assembly Members.

## **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 the existing very major responsibilities in respect of policing, transport, fire and emergency planning and regeneration of land use/planning, housing, adult skills, planning, waste, culture and sport, health, sustainable development, energy and climate change.
- 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, e.g. 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 – the Assembly likewise – without prejudice to arrangements by the Authority and exercisable by the Mayor.
- 4.3 To help fulfil these functions and responsibilities the budget development process is a key element of the planning framework and has an important purpose of ensuring there are sound medium and long term financial plans within which all Mayoral priorities and objectives are adequately funded, while recognising areas of risk and uncertainty will inevitably exist, including future grant funding levels. This means ensuring that the estimates of income and expenditure (including appropriate consideration of the effects of inflation), Government funding 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.
- 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. The Mayor and the Assembly have fiduciary duties in this regard.
- 4.5 This approach was reflected in the Mayor's guidance for the preparation of budget submissions for 2009-10 and future plans for 2010-11 and 2011-12, which was issued to the GLA Group in July 2008. 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 in line with the budgetary guidance.

## **5 The Mayor's Budget Proposals**

### **Consolidated Budget Requirement**

- 5.1 On 11 December 2008 the Mayor commenced consultation on the following year's budget. More detail is contained in the accompanying explanatory document 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.
- 5.2 The Mayor's proposed consolidated budget requirement remains unchanged from consultation and the forecast for the GLA's council tax precept also remains unchanged. It is £29 million less than the published spending plans for 2009-10 of the last administration reflecting the Mayor's key objective of delivering value for the 3.2 million council taxpayers in London. This is equivalent to almost £10 for a band D property.
- 5.3 As reflected in the financial planning guidelines in the Mayor's budget guidance, a wide ranging approach has been taken to securing better value for money, reflecting the nature and specific circumstances of each member of the GLA Group. For example, with an overall aim of keeping the level of the council tax precept unchanged, savings in the functions and activities of the Metropolitan Police Service and London's Fire Service have been sought that do not impair the delivery of front line services. At the LDA and the GLA the emphasis has been on making the organisations fit for purpose, reducing costs and not spending on wasteful activities. For TfL a new approach of realism has been applied with TfL instructed to focus on delivering the projects that will give the greatest benefits to Londoners, and not to proceed with spending money on projects that are yet to receive the necessary funding from Government and other sources. This coupled with a programme to maximise the cost efficiency of the organisation will enable fares to be kept affordable over the longer term.

### **Mayor of London**

- 5.4 By cutting waste and controlling costs the 2009-10 budget includes savings and efficiencies amounting to £9.1 million, representing 16.7 per cent of controllable expenditure. This has been achieved through a combination of savings on staff costs, review of programme budgets, a reduction of 20 per cent in media and marketing costs and cessation of some activities, such as publication of The Londoner newspaper. The GLA is also currently undergoing a comprehensive review of the way it is structured as part of an Organising for Delivery programme to ensure that the organisation is fit for purpose and delivers value for taxpayers in London. This review will be completed in 2009-10 and it is anticipated that this will contribute towards the savings that remain to be identified for 2010-11 and 2011-12 and which are part of these budget plans.
- 5.5 Except for activities prescribed by the GLA Act 2007 as falling within the component budget for the London Assembly, the budget for the Mayor of London covers all of the GLA activities. The combined budget requirement for the GLA for 2009-10 is £133.1 million, comprising £124.4 million for the Mayor and £8.7 million for the Assembly, a decrease of £3.4 million (2.5 per cent).

- 5.6 The budget includes £59.1 million for the 2009-10 financial contribution to support the cost of preparing for the 2012 Olympic and Paralympic Games. This is an increase of £0.4 million due to an estimated increase in the council tax base. The amount to be raised through the council tax precept for the 2012 Games remains at 38p a week for a band D household – the same as for each of the last three years. The Mayor is committed to raising £625 million from London council taxpayers, in line with the agreement with Government struck by the previous Mayor and they will not be asked to pay any more to fund the 2012 Games and nor will the band D amount be increased.
- 5.7 The public sector funding package for the 2012 Games comprising contributions from the GLA council tax precept, the National Lottery and the LDA, is itself restricted to covering the cost of preparing infrastructure and facilities, and providing some services, for the Games, including sports investment, Olympic facilities, other capital investment such as transport infrastructure and security. In addition, the GLA budget also includes £0.6 million for staff and programmes to ensure that, in preparing for the Games, the Mayor's strategies and priorities are delivered to create lasting benefits for communities and businesses both in east London and right across the capital. The in-house unit also assists the Mayor in meeting his obligations under the Host City contract.
- 5.8 This budget makes additional provision of £0.4 million net for the Street Trees and Priority Parks programmes which is funded from the GLA's share of savings from cessation of The Londoner newspaper. It also includes provision of £0.2 million to fund four Rape Crisis Centres jointly with external partners and £0.1 million to increase the People's Question Time programme. Other inherited spending programmes will be properly assessed before expenditure is committed in the context of their fit with current and emerging Mayoral priorities, and changes in programme budgets are likely.
- 5.9 The remainder of the budget proposals for the Mayor of London relate to the GLA's important statutory responsibilities and its key roles of influencing functional bodies' performance and delivery, and communication and engagement with Londoners and stakeholders. This will include overseeing the implementation of the Economic Recovery Action Plan that the Mayor published in December 2008 setting out steps the GLA group should take to ease London's path through the current economic downturn.
- 5.10 The Election reserve remains the most significant of the Authority's reserves, with a balance of £6.2million available in April 2009 following the 2008 elections. The current plan is to increase this reserve by £5 million a year in order to meet the costs of the next elections in 2012. This will be reviewed once we know whether there will be electronic counting for the 2012 GLA elections, the likely order of cost of any electronic counting contract (procurement would start in the spring 2010), the final outturn costs of the 2008 GLA elections, and the extent of any collaborative work with the Elections Commission.

### **London Assembly**

- 5.11 The budget for the Assembly reflects its current staffing establishment, approved levels of Member and group support, and approved policies. It includes annual savings in Assembly running costs of £172,000, with a further £55,000 a year to be secured by London TravelWatch. At a proposed £8.7 million the budget for the Assembly is the same as for 2008-09.

### **Metropolitan Police Authority**

- 5.12 Tackling serious youth crime and the tragic murders of young people in the capital has been the Mayor's most immediate priority since his election and making London's streets safe for young people is a top priority for all Londoners. During the first two quarters of 2008-09 there were 736 fewer youth victims (under 20 years old) of crime than in the corresponding period in 2007-08 and knife crime showed a 10.2 per cent reduction. These proposals include the resources to deliver on this priority by means of highly visible policing to deter criminality and measures to address the complex root causes of crime, exclusion and violence.
- 5.13 Operation Tyrol was launched in May of last year to reduce violence on the bus network and make travelling safer and these proposals include additional expenditure of £8 million in 2009-10, part-funded by grant income, to continue the roll out of transport hub teams with Transport for London to 30 sites across the capital.
- 5.14 The Mayor's youth programme ("Time for Action") is aimed at tackling the complex long-term root causes of teenage violence and criminality and forms a key part of the Mayor's response to teenage murders and increased youth violence in London. The plan will work alongside measures the Metropolitan Police are taking to tackle the symptoms of crime through assertive policing anti-knife crime operations such as Blunt2.
- 5.15 The budget includes £19 million of on-going expenditure in support of the Mayor's youth opportunities/violence programme. This includes £14 million for Safer School Partnerships, a collaboration between schools, the MPS and local agencies to reduce the prevalence of crime, anti-social behaviour and victimisation amongst young people in their communities and ensuring that they achieve their full potential. It also includes £1.7m million for Be Safe and Kickz programmes. Kickz is an estates-based football inclusion partnership between the Football Association, top clubs, Government, voluntary bodies and the MPS aimed at developing young people's potential and providing alternatives to involvement in crime and anti-social behaviour including routes into training and employment. In total the MPS and Football Foundation have committed a total of £6 million to roll the project out across all London boroughs with two schemes per borough for the next three years. The Be Safe approach is based on delivering factual information in a completely non-judgemental way, leaving the young person to make up their own mind as to whether carrying weapons is worth it or not.
- 5.16 Employee costs are the biggest element of the budget, but the net impact of these proposals is that police officer numbers are planned to be broadly unchanged over the planning period, increasing by 25 while PCSOs are planned to increase by 176. This is after

accounting for the reduction in police officers from Operation Herald, through civilianisation of posts.

- 5.17 The budget includes £6 million extra in 2009-10 to fund an expansion of the number of special constables towards a target of 10,000 by March 2012. There is also an additional £15 million in 2009-10 to continue the roll-out of Integrated Borough Operations, an initiative that brings together officers and staff in the Integrated Borough Operations room to work closely with the Central Communications Command to provide important local information and intelligence to help deliver the best response to incidents and ensure public and officer safety.
- 5.18 The highest level of preparedness and resources must be maintained to protect Londoners against terrorism and these proposals include estimated total expenditure of £350 million on counter terrorism functions in 2009-10. Although the settlement for 2009-10 has not been finalised, it is expected that additional expenditure will be limited to the level of additional grant funding so there is no net impact on the budget.
- 5.19 The MPS is leading on the security, safety and resilience arrangements for the 2012 Olympic and Paralympic Games and it is expected that the Home Office will provide full funding to cover expenditure. These proposals include £7 million currently approved and funded by the Home Office for the Olympic Security Directorate. The MPS is anticipating expenditure on some 25 different projects within the Olympic Security Programme once the costed security plan is agreed by Ministers. In 2009-10 this totals £29 million of revenue expenditure and £41 million of capital expenditure out of a total of £264 million of revenue expenditure and £103 million of capital expenditure in the period to 2012-13. However, the level of expenditure that is approved through a draw-down of funds via individual detailed business cases will be budget neutral as costs will be constrained to the level of grant provided.
- 5.20 During 2009-10 the MPA, in common with other members of the GLA group, will be seeking to demonstrate value for money – delivering major improvements in the effectiveness and efficiency of the service and an elimination of waste and bureaucracy. Challenging efficiency targets are in place and the MPS has a good record in securing efficiencies against the target set by the Home Office. For the period 2008-09 to 2010-11 the MPS has a cumulative Home Office saving target of £311 million and next year's budget includes new savings and efficiencies of £92 million, most of which is coming from efficiencies in support services, corporate provisions or income generation. These plans require savings of £57 million in 2010-11, increasing to £124 million in 2011-12, that are still to be identified. MPS has consistently overachieved against its Government targets and is continuing to develop proposals to deliver these amounts.
- 5.21 After allowing for the net effect of savings, other new initiatives, inflation, existing commitments, the net cost of the police service will be £2.6 billion in 2009-10. This is £45 million higher than the budget requirement for 2008-09 (an increase of 1.7 per cent). Overall the full year cost of new initiatives will add a further £32 million to continuing net expenditure in 2010-11 and a further £4 million in subsequent years.

5.22 The MPA has a policy to maintain a general reserve, including the emergency/contingency reserve of at least 2 per cent of net revenue expenditure. These proposals include a general reserve and emergency contingency fund of 2.6 per cent and there are no proposals in this budget to make available the current balance to reduce the budget requirement.

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

5.23 LFEPA plays a vital role in improving the safety and security of all Londoners, being at the forefront of the fire and rescue modernisation agenda, moving from being a largely responsive service to one involved in setting the strategic direction of the national fire and rescue service and the planning and shaping of local communities. This was recognised in its most recent Government inspection which concluded that it was improving strongly, making it one of the highest scoring fire authorities in the country. This is reflected in the reduction in the number of fires and serious fires which fell by 10 per cent and 8 per cent respectively over the previous year and a reduction in the number of hoax calls, down 12 per cent over the previous year.

5.24 This budget is underpinned by targets in 2009-10 to reduce the number of accidental fires in people's homes, accidental fire-related deaths in the home, deliberate fires and hoax calls.

5.25 The Authority has an important role to play in the safety of young people. The budget provides resources to expand and promote its work with young people and enhance its role in social cohesion issues such as the concern with knife crime by: continuing to develop fire safety education to all LEA primary schools; delivering Local Intervention Fire Education (LIFE) programmes; developing its Juvenile Firesetters Intervention Scheme; developing and implementing fire cadet schemes and working with Crime and Disorder Reduction Partnerships and Local Area Agreements.

5.26 Home fire safety visits are integral to the Brigade's strategic aims of reducing accidental dwelling fires with their attendant deaths and injuries. Stations and partners fit 10 year battery domestic smoke alarms and specialist alarms where necessary, in addition to giving general fire safety advice. The budget provides for additional funding of £0.4 million for the purchase of smoke alarms which was previously funded by Government grant.

5.27 The property estate is ageing – 40 per cent is more than 60 years old and many of the fire stations are not in good condition. LFEPA is working with the Government to bring additional PFI capital investment for up to ten new stations for London and this budget provides additional funding of £0.6 million increasing to £0.9 million in 2010-11 for the costs to develop and deliver the outline business case needed to bring this investment to fruition. The budget also provides the resources to progress plans for a new fire station, due to open in Havering in January 2010 and this will lead to an increase of 29 firefighters.

5.28 The London Fire Brigade has a vital role in ensuring we deliver a safe and secure Olympic and Paralympic Games in 2012. It is necessary to ensure fire protection and safety is a

priority during construction and after completion of the infrastructure that will be put in place between now and 2012, and as a lasting legacy for a safer community. As outlined in the budget consultation paper, LFEPA is still negotiating with the Government over the amount of grant for 2008-09 and has submitted a business case for grant funding in 2009-10 and 2010-11. LFEPA, supported by the GLA, continues to seek Government grant funding for this expenditure and there is no net budget addition to the 2009-10 budget.

- 5.29 The proposed budget includes savings and efficiencies of £8.2 million from non-front line services identified during the budget development process. These plans require savings of £12.1 million in 2010-11, increasing to £22.8 million in 2011-12, that are still to be identified. However, the Authority has a good record in achieving savings, including meeting its Government target in the three years to March 2008, and its budget review is ongoing. Overall, the Mayor's budget proposals for 2009-10 provide for a net increase of £11.1 million (2.7 per cent) over the current year's budget requirement.
- 5.30 £15.6 million of general reserves is being used to support the 2009-10 budget, but the level of reserves at the end of the year would still represent 3.8 per cent of net revenue expenditure. The reserve requirement for future years is being reviewed and, pending the outcome, these proposals currently assume no further drawing of reserves from 2010-11. There would be a commensurate increase in the budget requirement in 2010-11 to the extent that the drawing of reserves is less than in 2009-10.
- 5.31 If further savings become available as a result of LFEPA's on-going budget review process the Mayor intends that these should reduce the use of LFEPA reserves in 2009-10 so that more is available in future years to lessen the impact of increases in its budget requirement.

### **Transport for London**

- 5.32 The budget proposals reflect the first 3 years of the 10-year TfL Business Plan which provides the baseline for delivering the future transport needs of London. It delivers the highest level of investment in London's transport infrastructure since World War II, with significant tangible benefits over the next three to four years, while setting out a longer term legacy for London. By 2012 there will be an increase of over 10 per cent in the capacity of London's public transport network, increasing to almost 30 per cent by 2018.
- 5.33 While levels of funding have increased, there remain very significant pressures on TfL's finances, particularly in respect to the Public Private Partnership arrangements for the upgrade of the Tube. There is also an increased risk of revenue shortfalls as a result of the worsening economic situation. Even with planned fare increases at RPI plus one per cent, tough choices have been required to maintain a balanced budget and a number of unfunded projects have been stopped.
- 5.34 The strategic context for the Business Plan was 'Way to Go!', published in November 2008 which articulated the vision of a transport system that is easier to use while delivering safer, reliable and efficient movement for people and businesses. There are six delivery priorities: to expand public transport capacity completing the transformation of the Tube; to smooth traffic flows – making the best use of London's limited road space and an end to the

scandal of poorly managed roadworks; to lead a revolution in cycling and walking in London; to deliver London 2012 transport projects and leave a lasting legacy; to improve further the safety and security of the travelling public; to improve dramatically the experience of travelling in London.

- 5.35 TfL is budgeting for modest increases in the number of passenger journeys across the different transport modes in 2009-10, with increases of 3.5 per cent in the Underground, 13 per cent in the DLR and 1 per cent in bus journeys. Combined with the announced fare increases and the introduction of strict cost controls TfL is budgeting for a virtually unchanged operating margin of £2.3 billion in 2009-10, as compared to 2008-09.
- 5.36 The budget reflects the fares package announced by the Mayor last September and the discount bus and travel scheme for Londoners who receive Income Support confirmed on 29 December 2008. The fares package is designed to be fair to all Londoners while maintaining the massive investment to upgrade the Tube, build Crossrail and tackle congestion. The range of discounts ensure that fares remain affordable for those that rely on public transport the most, including the elderly, disabled and those on lower incomes.
- 5.37 Excluding the funding agreement for Crossrail, the majority of investment in the budget plan is within London Underground. This covers the start of the second review period of the PPP contracts and as such contains the majority of planned capacity increases as signalling systems and rolling stock are upgraded and replaced.
- 5.38 Underground improvements budgeted for 2009-10 include £343 million for station modernisation and refurbishment, including completion of the northern ticket hall at St Pancras by 2010 and 25 per cent of stations step-free by the end of 2010, and major investment in the Metronet lines of £550million in rolling stock and signals as part of the overall line upgrade programme for the Circle, District, Hammersmith and City, Metropolitan and Victoria lines, resulting in capacity increases of between 19 per cent and 49 per cent between 2012 and 2018. In addition a 33 per cent capacity increase on the Jubilee line will be delivered by the end of 2009.
- 5.39 London rail and DLR improvements include £252 million for the East London line extension due for completion in 2010, £53 million investment in the Stratford International DLR extension and continuing investment in 3 car operations on DLR routes of £80 million in 2009-10.
- 5.40 The budget proposals include TfL's contributions to deliver Crossrail, including £617 million in 2009-10. The delivery of Crossrail in 2017 is a key part of TfL's plans to deliver services to support the growth of London. In particular, Crossrail will increase London's total rail-based transport capacity by 10 per cent (21 per cent for the City and 54 per cent for Canary Wharf), encourage regeneration and boost the job market in many areas of London, including the West End.
- 5.41 London Overground enhancement works and the DLR expansion programme will be completed by the end of 2011-12, including significantly increasing capacity and the

geographic reach of the DLR network. There is also a programme of improvements including tram and tram stop refurbishment for the Croydon Tramlink.

- 5.42 Improvements to traffic flow will be introduced including real time traffic management, re-phasing of traffic lights where appropriate and other measures. These measures will improve the efficiency of London's road network, increasing capacity and reducing delay. Major highway capital works to further support smoothing traffic flows will be undertaken at Bounds Green, Henly's Corner, Hanger Lane, A40 Western Avenue, Tottenham Hale and Blackwall Tunnel.
- 5.43 There is a fundamentally new programme to increase cycling significantly throughout London including delivery of a central London cycle hire scheme by Summer 2010, new cycle 'highways' schemes and the creation of cycle hubs across London which will include a further 66,000 cycle parking spaces – with investment of £132m between 2009-10 and 2011-2012. There is also a £34 million investment between 2009-10 and 2011-12 for walking, including pilots for Legible London.
- 5.44 Over the coming months an independent review of the key aspects of the bus network will be undertaken. This plan includes an increase of approximately 4 per cent in the size of the bus network (operated kilometres) from 2007-08 levels and the introduction of 21st Century Routemaster prototypes into service in 2011, with plans for a roll-out after this date, and the phased replacement of articulated buses as contracts come up for renewal.
- 5.45 Everyone has the right to travel safely and free from the fear of crime and these proposals provide for an increase in more than 500 uniformed officers deployed on the bus network, outer London rail stations and to crack down on illegal cabs at a cost to TfL of £23m million in 2009-10.
- 5.46 TfL is also working on a package of reforms to the Local Implementation Plan (LIP) funding process. Funding for boroughs in 2009-10 is £168 million, a 4.5 per cent increase from the previous year. Work is ongoing to reduce the bureaucracy and increase the flexibility of this programme including funding of £100,000 to each borough to deliver against transport priorities of their choice.
- 5.47 Transport schemes for the 2012 Olympic and Paralympic Games are being designed to leave a lasting legacy, combining schemes already part of TfL's Investment Programme and additional schemes funded wholly or partly by the ODA or LOCOG. The budget for 2009-10 includes £369million for directly managed pre-existing schemes and £195 million for ODA/LOCOG funded schemes.
- 5.48 TfL is conducting a further major review of operating costs, building on the programme to 2009-10 which targeted savings of over £1.3 billion. A variety of savings have been identified, totalling over £2.4 billion during the Business Plan period to 2017-18 (£395 million through to 2011-12). The review has focused on identifying opportunities to reduce or remove operating cost from the business, focusing on back-office and non-operational activities. Key activities identified include savings from ticketing contract

costs, IT synergies and savings resulting from merging traffic enforcement and congestion charging areas. Total savings in the plan represent more than 15 per cent of reducible expenditure.

- 5.49 The budget is supported by £805 million from earmarked reserves in 2009-10 and £175 million in 2010-11. This reduction is a planned one and from 2011-12 TfL will maintain a level of general reserves of £150 million, being the minimum necessary to hold. These plans do not reflect the proposal to remove the western extension of the congestion charge, but this does not impact on the 2009-10 budget and will be taken into account when the business plan is reviewed next year.

### **London Development Agency**

- 5.50 The LDA plays a leading role in the implementation of the Mayor's Economic Development Strategy. Its activities are fully funded from specific Government grants and capital receipts supported by capital borrowing to fund part of the LDA Olympic programme which means that there is a no local taxpayer contribution. The Mayor sets the targets for the LDA, taking account of the national target framework. The LDA's delivery programme will total £469 million in 2009-10. The LDA is presently concluding consultation on its draft Investment Strategy for the four years covering April 2009 to March 2013.
- 5.51 This budget is being finalised at a moment of rapid change in the economic and social environment. As a result of the national economic situation the Mayor has recently published his Economic Recovery Action Plan which contains significant proposals which affect the LDA. These proposals include rolling out a £23.4 million new business support programme. This includes £1.3 million for a new Manufacturing Advisory Service, £10 million for a new Economic Recovery Investment Fund, £1.5 million for a Gateway to Investment programme to help growing SMEs and £1.4 million for expansion of the Access to Finance programme.
- 5.52 The changing situation makes it highly likely that other major initiatives will be developed over the coming months which may materially affect the LDA budget. For example, the present circumstances mean that the LDA can make a compelling case to Government for more resources to help both bolster employment and to find ways to kick start the construction industry.
- 5.53 As part of its drive to deliver efficiencies the LDA has implemented a major re-organisation. This is budgeted to reduce overhead, policy and programme support expenditure from £46.2 million in 2008-09 to £41.6million in 2009-10 and as a result the Agency will be more closely focused on its major investment strands of Growth, Skills and Jobs which are vital and appropriate priorities.
- 5.54 The major LDA programme remains that of ensuring that the 2012 Games bring lasting benefits to Londoners through effective land remediation and in ensuring that ambitious design and effective delivery of a sustainable plan brings a worthwhile and permanent legacy to the east of London. The Olympic programme accounts for nearly 40 per cent of the LDA's programme expenditure for the 3 years to 2010-12 and 29 per cent of

Government grant will be used to fund it. Capital expenditure on the Olympics is planned to reduce in 2009-10 from £213 million to £112 million, but is planned to increase again in 2010-11 and 2011-12, to £184 million and £177 million respectively.

- 5.55 The three year plans are underpinned by a longer term 20 year funding strategy for the Games because the LDA will be using the proceeds from the sale of land acquired for the Games to repay its debt obligations and these will not begin to be realised until 2013-14. The amount and profile of capital receipts assumed is based on independent professional advice and assumes value growth of 6 per cent a year. Any shortfall will ultimately have to be covered by part of the LDA's grant from Government. However the 6 per cent assumption covers a 20 year period so the Agency has considerable flexibility over the future timing and marketing of its Olympic assets.
- 5.56 The virtues of a discrete legacy delivery vehicle to ensure a sustainable legacy from the games are being actively considered. Whatever the details of the legacy structure, the LDA will inevitably continue to play a major role in it, as primary landowner, as London's economic development and regeneration agency, as major investor on the Olympic Park and wider Lower Lea Valley, and as accountable body for the public funds which have also been allocated to the Olympic Park or may be in future.
- 5.57 The LDA also plays a crucial role, alongside partners, in helping deliver the Mayor's plans for improving the lives of young people by: providing training and apprenticeship opportunities, particularly those not previously in employment and training; helping to expand sport and music opportunities; developing initiatives for children and young people at risk by expanding educational opportunities through an Academies programme and looking at ways to help children in care; and continuing with the LDA's child care programme, which is budgeted to increase from £14.7million in 2008-09 to £19.5 million in 2009-10.
- 5.58 The LDA will continue to play a leading role in reducing carbon emissions and in adapting to climate change. The economic situation means that the case for identifying, nurturing and expanding green skills which will be increasingly central in the future economy, has become a main priority for the Agency and it is developing a new strategy to address this issue. Overall budgetary provision for energy and waste in 2009-10 is £18 million. The following existing programmes will be prioritised: the Green 500 and Better Buildings Partnership ; a decentralised energy programme; rolling out the Buildings Energy efficiency Pilot; commissioning the London Waste and Recycling Board to invest in waste facilities; and investing in the East London green grid.
- 5.59 The LDA will continue to support London's tourist industry which is a major component of London's economy despite the cut in Government support of £1.9 million next year, which the Mayor has asked Government to reverse. Visitors figures for 2008 show a reduction but the devalued pound means that there is considerable potential for increasing tourist numbers in 2009-10. The LDA plans include a £1million campaign to attract leisure and business visitors, establishing an export promotion programme to allow London business to capitalise on the lower exchange rate.

5.60 In addition to the funds which comprise the Mayor's budget, the LDA administers European Funds for which the Mayor gives an overall policy steer, within the frameworks set by the European Union and the national Government. The current London programmes run from 2007 to 2013 and need to be match funded. The LDA delivers approximately £50 million over this period (before matching) of the European Social Fund which has priorities including extending employment opportunities and developing a skilled and adaptable workforce. The LDA administers the 2007 to 2013 European Regional Development Fund which is worth £157million (before matching). Its priorities include business innovation and research and promoting eco-efficiency, access to finance and new markets for SMEs and encouraging sustainable places for business.

## **6 The Impact on Local Taxpayers**

6.1 A top priority in deciding on the proposed spending plans across the GLA group of £12.1 billion gross has been to ensure that the band D amount of the council tax precept should remain unchanged for local taxpayers reflecting a rigorous pursuit of savings and efficiencies on existing services and structures. At the same time the Mayor is committed to improving service provision and the budget proposals for 2009-10 include provision for investment in new initiatives and service improvements totalling £250 million which are offset by savings of £104 million (equivalent to a net 3.3 per cent reduction in the consolidated budget requirement). As a result the Mayor's budget proposals provide for a below inflation increase of 1.7 per cent in the consolidated budget requirement.

### **Grant income**

6.2 By far the most important factor in determining the local tax bill is Government grant funding. A large part of the Government grant income available to the GLA is determined as part of the local Government financial settlement. The provisional grant settlement for 2009-10 is the second year of a three year grant settlement which also includes indicative figures for 2010-11. The final settlement for 2009-10 is expected to be confirmed at the end of January.

6.3 In addition to the general grant settlement the Government has allocated a range of specific grants, including the GLA transport grant. However, the Government has not yet confirmed the total level of counter-terrorism grant for the MPA or the level of its support for the 2012 Olympic and Paralympic Games in respect of MPA and LFEPA. Estimated figures have been used as the basis for the precept calculations in this statement and accompanying documents. The caveat must therefore be made that the calculations may change when the final figures are announced.

6.4 Subject to final decisions, the Government will provide the GLA with significant resources through grant allocations totalling £6.3 billion for 2009-10. These comprise GLA transport grants (£3.0 billion), police grants (£1.6 billion), redistributed non-domestic rates (£0.9 billion), specific grants for the LDA (£0.4 billion) and revenue support grant and other grants (£0.2 billion).

### Council tax income

- 6.5 After allowing for specific Government grants, other income and use of reserves, the proposed consolidated budget for 2009-10 is some £3.2 billion, an increase of 1.7 per cent over 2008-09. With police and other general Government grants totalling £2.3 billion this requires an estimated £915 million to be raised from the council tax payer. This and other sources of finance are summarised below.

<b>How budgets are funded</b>	<b>£m</b>	<b>Per cent</b>
Spending plans	12,191	100
<i>Less:</i>		
Fares, charges and other income	-4,188	-34
Specific Government grants	-3,987	-33
Government grants and redistributed business rates	-2,285	-19
Reserves (TfL)	-805	-6
Reserves (other)	-9	-1
Surplus in council tax collection fund	-2	-
<b>Amount to be met by council tax payers</b>	<b>915</b>	<b>7</b>

- 6.6 The tax base and collection fund information from the boroughs is provisional at this stage but, on present forecasts, to raise the required amount from council tax payers would require a band D council tax of about £310 for 2009-10 in the London boroughs, unchanged from 2008-09, and £86 in the City of London.
- 6.7 The expected changes in components of the precept are shown below with reductions for policing and the GLA largely offset by the increase for the fire service.

<b>Change in precepts</b>	<b>Pence/week</b>
Metropolitan Police Authority	-5p
London Fire and Emergency Planning Authority	6p
Greater London Authority	-3p
Collection fund – reduced council tax collection surplus	2p
<b>Total band D change</b>	<b>Nil</b>

### Capital spending

- 6.8 The Mayor published his Draft Capital Spending Plan for consultation on 14 January 2009 and the financing costs (£223 million in 2009-10) of this proposed programme of capital spending are fully reflected in these budget proposals.

### **“Capping”**

- 6.9 The Mayor is firmly of the opinion that the proposed budget requirement could not reasonably be categorised as “excessive” in the context of a 1.7 per cent increase in the consolidated budget requirement and that capping is not a valid risk to these budget proposals.

## **7 Conclusions**

- 7.1 In considering the Mayor's budget proposals and any amendments they wish to make at this stage, Assembly members must also consider the need to secure a financially balanced budget and achieve a balance between the statutory and discretionary responsibilities for the provision of services and the burden upon those required to finance the net cost.
- 7.2 In commending the budget proposals to the Assembly the Mayor believes that Londoners recognise and support his plans to freeze the GLA Group's share of the council tax while continuing to invest in public services in London. This year's budget also continues to take forward a wide variety of measures across the GLA Group designed to improve the environment in the capital.
- 7.3 The Mayor is satisfied that he has weighed respective interests fairly and that the savings required to freeze his element of the council tax will not affect adversely the front line service delivery of his statutory and discretionary responsibilities. The Mayor firmly believes the proposals will make a significant contribution to improving Londoners' quality of life and to assisting with the city's economic recovery. Further reference to the long-term financial effects of decisions in this budget is contained in the financial and legal advice section.

## 8 Recommendations

- 8.1 On the basis of the information set out in this statement and accompanying documents, the Assembly approve the Mayor's draft consolidated budget requirement for the GLA and the functional bodies of **£3,201,600,000**, as contained in **Annex A**. This draft consolidated budget requirement is made up as follows:

<i>Constituent body</i>	<i>Component budget requirement</i>
Mayor of London	£124,400,000
London Assembly	£8,700,000
Metropolitan Police Authority	£2,640,300,000
London Fire and Emergency Planning Authority	£416,200,000
Transport for London	£12,000,000
London Development Agency	£0
Total	£3,201,600,000

**Boris Johnson**  
Mayor of London

**Draft component and consolidated budget requirements 2009-10**

**Greater London Authority: Mayor of London (“Mayor”) draft component budget requirement calculations**

Line	Sum	Description
(1)	£130,700,000	estimated expenditure of the Mayor for the year calculated in accordance with s85(4)(a) of the Act
(2)	£500,000	estimated allowance for contingencies for the Mayor under s85(4)(b) of the Act
(3)	£8,400,000	estimated reserves to be raised for meeting future expenditure of the Mayor under s85(4)(c) of the Act
(4)	£0	estimate of reserves to meet a revenue account deficit of the Mayor under s85(4)(d) of the Act
(5)	<b>£139,600,000</b>	aggregate of the amounts for the items set out in s85(4) of the Act for the Mayor (lines (1) + (2) + (3) + (4) above)
(6)	-£12,800,000	estimate of the Mayor’s income calculated in accordance with s85(5)(a) of the Act
(7)	-£2,400,000	estimate of Mayor’s reserves to be used in meeting amounts in lines (1) and (2) above under s85(5)(b) of the Act
(8)	<b>-£15,200,000</b>	aggregate of the amounts for the items set out in section 85(5) of the Act for the Mayor (lines (6) + (7))
(9)	<b>£124,400,000</b>	the component budget requirement for the Mayor (being the amount by which the aggregate at (5) above exceeds the aggregate at (8) above calculated in accordance with section 85(6) of the Act)

**The draft component budget requirement for the Mayor for 2009-10 is £124,400,000.**

**Greater London Authority: London Assembly (“Assembly”) draft component budget requirement calculations**

Line	Sum	Description
(10)	£8,700,000	estimated expenditure of the Assembly for the year calculated in accordance with s85(4)(a) of the Act
(11)	£0	estimated allowance for contingencies for the Assembly under s85(4)(b) of the Act
(12)	£0	estimated reserves to be raised for meeting future expenditure of the Assembly under s85(4)(c) of the Act
(13)	£0	estimate of reserves to meet a revenue account deficit of the Assembly under s85(4)(d) of the Act
(14)	<b>£8,700,000</b>	aggregate of the amounts for the items set out in s85(4) of the Act for the Assembly (lines (10) + (11) + (12) + (13) above)
(15)	£0	estimate of the Assembly’s income calculated in accordance with s85(5)(a) of the Act
(16)	£0	estimate of Assembly’s reserves to be used in meeting amounts in lines (10) and (11) above under s85(5)(b) of the Act
(17)	<b>£0</b>	aggregate of the amounts for the items set out in section 85(5) of the Act for the Assembly (lines (15) + (16))
(18)	<b>£8,700,000</b>	the component budget requirement for the Assembly (being the amount by which the aggregate at (14) above exceeds the aggregate at (17) above calculated in accordance with section 85(6) of the Act)

**The draft component budget requirement for the Assembly for 2009-10 is £8,700,000.**

## Metropolitan Police Authority (“MPA”) draft component budget requirement calculations

Line	Sum	Description
(19)	£3,603,100,000	estimated expenditure of the MPA calculated in accordance with s85(4)(a) of the Act
(20)	£0	estimated allowance for contingencies for the MPA under s85(4)(b) of the Act
(21)	£0	estimated reserves to be raised for meeting future expenditure of the MPA under s85(4)(c) of the Act
(22)	£0	estimate of reserves to meet a revenue account deficit of the MPA under s85(4)(d) of the Act
(23)	<b>£3,603,100,000</b>	aggregate of the amounts for the items set out in s85(4) of the Act for the MPA (lines (19) + (20) + (21) + (22) above)
(24)	-£962,800,000	estimate of MPA’s income calculated in accordance with s85(5)(a) of the Act
(25)	£0	estimate of MPA’s reserves to be used in meeting amounts in lines (19) and (20) above under s85(5)(b) of the Act
(26)	<b>-£962,800,000</b>	aggregate of the amounts for the items set out in section 85(5) of the Act for the MPA (lines (24) + (25))
(27)	<b>£2,640,300,000</b>	the component budget requirement for MPA (being the amount by which the aggregate at (23) above exceeds the aggregate at (26) above calculated in accordance with section 85(6) of the Act)

**The draft component budget requirement for the MPA for 2009-10 is £2,640,300,000.**

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

Line	Sum	Description
(28)	£463,400,000	estimated expenditure of LFEPA for the year calculated in accordance with s85(4)(a) of the Act
(29)	£0	Estimated allowance for contingencies for LFEPA under s85(4)(b) of the Act
(30)	£0	estimated reserves to be raised for meeting future expenditure of LFEPA under s85(4)(c) of the Act
(31)	£0	estimate of reserves to meet a revenue account deficit of LFEPA under s85(4)(d) of the Act
(32)	<b>£463,400,000</b>	aggregate of the amounts for the items set out in s85(4) of the Act for LFEPA (lines (28) + (29) + (30) + (31) above)
(33)	-£31,600,000	estimate of LFEPA’s income calculated in accordance with s85(5)(a) of the Act
(34)	-£15,600,000	estimate of LFEPA’s reserves to be used in meeting amounts in lines (28) and (29) above under s85(5)(b) of the Act
(35)	<b>-£47,200,000</b>	aggregate of the amounts for the items set out in section 85(5) of the Act for LFEPA (lines (33) + (34))
(36)	<b>£416,200,000</b>	the component budget requirement for LFEPA (being the amount by which the aggregate at (32) above exceeds the aggregate at (35) above calculated in accordance with section 85(6) of the Act)

**The draft component budget requirement for LFEPA for 2009-10 is £ 416,200,000.**

## Transport for London ("TfL") draft component budget requirement calculations

Line	Sum	Description
(37)	£7,505,000,000	estimated expenditure of TfL for the year calculated in accordance with s85(4)(a) of the Act
(38)	£89,000,000	estimated allowance for contingencies for TfL under s85(4)(b) of the Act
(39)	£0	estimated reserves to be raised for meeting future expenditure of TfL under s85(4)(c) of the Act
(40)	£0	estimate of reserves to meet a revenue account deficit of TfL under s85(4)(d) of the Act
(41)	<b>£7,594,000,000</b>	aggregate of the amounts for the items set out in s85(4) of the Act for the TfL (lines (37) + (38) + (39) + (40) above)
(42)	-£6,777,000,000	estimate of TfL income calculated in accordance with s85(5)(a) of the Act
(43)	-£805,000,000	estimate of TfL's reserves to be used in meeting amounts in lines (37) and (38) above under s85(5)(b) of the Act
(44)	<b>-£7,582,000,000</b>	aggregate of the amounts for the items set out in section 85(5) of the Act for TfL (lines (42) + (43))
(45)	<b>£12,000,000</b>	the component budget requirement for TfL (being the amount by which the aggregate at (41) above exceeds the aggregate at (44) above calculated in accordance with section 85(6) of the Act)

**The draft component budget requirement for TfL for 2009-10 is £12,000,000.**

## London Development Agency ("LDA") draft component budget requirement calculations

Line	Sum	Description
(46)	£386,300,000	estimated expenditure of the LDA for the year calculated in accordance with s85(4)(a) of the Act
(47)	£4,000,000	estimated allowance for contingencies for the LDA under s85(4)(b) of the Act
(48)	£0	estimated reserves to be raised for meeting future expenditure of the LDA under s85(4)(c) of the Act
(49)	£0	estimate of reserves to meet a revenue account deficit of the LDA under s85(4)(d) of the Act
(50)	<b>£390,300,000</b>	aggregate of the amounts for the items set out in s85(4) of the Act for the LDA (lines (46) + (47) + (48) + (49) above)
(51)	-£390,300,000	estimate of the LDA income calculated in accordance with s85(5)(a) of the Act
(52)	£0	estimate of the LDA's reserves to be used in meeting amounts in lines (46) and (47) above under s85(5)(b) of the Act
(53)	<b>-£390,300,000</b>	aggregate of the amounts for the items set out in section 85(5) of the Act for the LDA (lines (51) + (52))
(54)	<b>£0</b>	the component budget requirement for the LDA (being the amount by which the aggregate at (50) above exceeds the aggregate at (53) above calculated in accordance with section 85(6) of the Act)

**The draft component budget requirement for the LDA for 2009-10 is £0.**

## Greater London Authority ("GLA") draft consolidated budget requirement calculation

Line		Description
(55)	<b>£3,201,600,000</b>	the GLA's consolidated budget requirement (the sum of the amounts in lines (9) + (18) + (27) + (36) + (45) + (54)) calculated in accordance with section 85(8) of the Act

**The draft consolidated budget requirement for the GLA for 2009-10 is £3,201,600,000.**

## Summary of draft consolidated budget 2009-10

£	GLA: Mayor	GLA: Assembly	MPA	LFEPa	TfL	LDA	Total
Estimated expenditure	130,700,000	8,700,000	3,603,100,000	463,400,000	7,505,000,000	386,300,000	12,097,200,000
Estimated allowance for contingencies	500,000	-	-	-	89,000,000	4,000,000	93,500,000
Estimated reserves to be raised for meeting future expenditure	8,400,000	-	-	-	-	-	8,400,000
Estimate of reserves to meet a revenue account deficit	-	-	-	-	-	-	-
<b>Estimated total expenditure</b>	<b>139,600,000</b>	<b>8,700,000</b>	<b>3,603,100,000</b>	<b>463,400,000</b>	<b>7,594,000,000</b>	<b>390,300,000</b>	<b>12,199,100,000</b>
Estimate of income	-12,800,000	-	-962,800,000	-31,600,000	-6,777,000,000	-390,300,000	-8,174,500,000
Estimate of reserves to be used	-2,400,000	-	-	-15,600,000	-805,000,000	-	-823,000,000
<b>Estimated total income</b>	<b>-15,200,000</b>	<b>-</b>	<b>-962,800,000</b>	<b>-47,200,000</b>	<b>-7,582,000,000</b>	<b>-390,300,000</b>	<b>-8,997,500,000</b>
<b>Budget requirement</b>	<b>124,400,000</b>	<b>8,700,000</b>	<b>2,640,300,000</b>	<b>416,200,000</b>	<b>12,000,000</b>	<b>-</b>	<b>3,201,600,000</b>

**Draft consolidated budget 2009-10:  
Explanation of proposals (updated budget consultation  
paper)**

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## **Mayor's foreword**

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Superseded by the Mayor's Background Statement

## Section 1 – Introduction and overview

### Consolidated Budget Requirement

- 1.1 The consolidated budget requirement for the GLA and the four functional bodies for 2009-10 is **£3,201.6m**.

<b>Component budget requirements</b>	<b>Approved 2008-09 £m</b>	<b>Proposed 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
Mayor of London	127.8	124.4	125.7	127.3
London Assembly	8.7	8.7	9.0	9.2
Metropolitan Police Authority	2,595.0	2,640.3	2,673.3	2,706.8
London Fire and Emergency Planning Authority	405.1	416.2	437.3	442.7
Transport for London	12.0	12.0	12.0	12.0
London Development Agency	-	-	-	-
<b>Consolidated budget requirement</b>	<b>3,148.6</b>	<b>3,201.6</b>	<b>3,257.3</b>	<b>3,298.0</b>

- 1.2 As a result of changes introduced by the GLA Act 2007, for the purpose of budget setting the **Mayor of London** and **London Assembly** are treated as separate constituent bodies. The budget for the Assembly comprises estimates for direct expenditure and income, and appropriate contingencies and financial reserves for Assembly functions. The budget for the Mayor 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.
- 1.3 The GLA Group is subject to the local government finance regime. The planned spending of the GLA and the functional bodies after deducting any funding from reserves and expected income (other than general funding from the Government and the council tax) is known as their **budget requirement**. These requirements are consolidated to form the consolidated budget requirement for the GLA.
- 1.4 Further information on the budget proposals for each constituent body within the GLA Group is presented in organisational terms in **Sections 2 to 7** of this document. The GLA's proposals are shown first and the remainder are presented in order of magnitude of the budget requirement.
- 1.5 The complexities of a budget of over £12 billion gross (£3 billion net) and the very diverse nature of the functions of the individual component bodies, make it complicated to present information that meets the needs of all audiences. This document is therefore a summarised version of the overall financial estimates.

## Section 1 – Introduction and overview

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1.6 The Mayor's key objective is to maximise value for the taxpayer through the rigorous pursuit of efficiencies and directing expenditure to key priorities. The Mayor's 2009-10 budget and forward plans provide funding to:

- Implement an action plan to tackle the complex long-term root causes of teenage violence and criminality and to tackle the symptoms of crime through assertive and highly visible policing;
- Increase by more than 500 the number of uniformed officers deployed on the bus network and outer London rail stations and cracking down on illegal cabs;
- Maintain the highest level of preparedness to protect Londoners against terrorism;
- Develop an Economic Recovery Action Plan designed to support Londoners and businesses through the predicted economic hardship ahead;
- Expand public transport capacity: continuing the transformation of the Tube, including new air conditioned trains, improved reliability and faster journeys, and building Crossrail, the single largest transport project seen in the UK in generations that on its own will provide an extra 10 per cent capacity to the rail-based public transport network;
- Smooth traffic flows: making the best use of London's limited road space by re-phasing traffic lights and tackling the disruption caused by unplanned road-works;
- Lead a revolution in cycling and walking in London: facilitating a step change increase in the numbers of people travelling by these most environmentally friendly and health enhancing modes including introducing a Central London bike hire scheme;
- Deliver London's 2012 transport projects and secure a lasting legacy: completing the East London line extension to the London Overground network and increasing capacity on an extended DLR;
- Improve further the safety and security of the travelling public: building on the massively increased numbers of uniformed officers patrolling the buses and Tube and innovative new methods, such as trialling live CCTV on buses;
- Dramatically improve the experience of travelling in London: through, for example, the development and further roll-out to national rail of the Oyster card, giving passengers better information, making buses safer, improving the urban realm, and introducing a 21st Century Routemaster bus;
- Contribute towards a successful 2012 Olympic and Paralympic Games and create an enduring legacy that transforms and regenerates the east of London, as well as spreading the benefits of 2012 across the capital with an unchanged contribution to the agreed funding package;
- Plant 10,000 new street trees and make 11 rundown parks safer, cleaner and more attractive;
- Deliver the Mayor's housing strategy, working with boroughs to deliver 50,000 more affordable homes over the next three years;
- Deliver four new rape crisis centres.

## Section 1 – Introduction and overview

### Amount to be raised from council taxpayers

- 1.7 The **council tax** applicable to the GLA Group is set at a level that recovers the difference between the budget requirements of the five organisations and the funding received from the Government. Allowing for anticipated government grants, the consolidated budget requires **£915m** (2008-09: £908m) to be raised from the council taxpayer. This and other sources of finance are summarised below:

	£m	Per cent
Spending plans	12,191	100
Less:		
Fares, charges and other income	-4,188	34
Specific government grants	-3,987	33
Government grants and redistributed business rates	-2,285	19
Reserves (TfL)	-805	6
Reserves (other)	-9	1
Surplus in council tax collection fund	-2	-
<b>Amount to be met by council taxpayers</b>	<b>915</b>	<b>7</b>

- 1.8 To raise an additional **£7m** from council taxpayers does not require any increase in a band D council tax of **£310** for the London boroughs after taking into account the estimated 0.75 per cent increase in the Greater London council tax base for 2009-10. It requires a band D council tax of **£86** in the City of London.
- 1.9 **Section 8** provides a more detailed analysis of the extent to which government grants fund the budget requirements and the amount of council tax to be raised.

### 2012 Olympic and Paralympic Games

- 1.10 The Band D amount for the financial contribution to support the cost of the 2012 Games remains at £20. Further information on the GLA Group contributions to the Games and creating long-lasting wider economic benefits across London and for its diverse communities is provided in **Appendix E**.

### Further information

- 1.11 **Section 9** concludes the main sections of this consultation paper with a summary of the draft capital spending plan for each of the five organisations. **Appendices A to G** provide more explanatory information on the year-on-year budget changes and **Appendix H** lists the remaining key dates in the budget process.
- 1.12 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, please contact:

John Moyles (for GLA)	e-mail: john.moyles@london.gov.uk
Doug Wilson (for MPA and LFEPA)	e-mail: doug.wilson@london.gov.uk
Peter Greig (for TfL and LDA)	e-mail: peter.greig@london.gov.uk

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

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- 2.1 The purpose of the GLA is to set the strategic direction for London as a whole; consequently, apart from the running of Parliament and Trafalgar Squares, it does not deliver any direct services. The main thrust of the authority's work aims to build successful working relationships and partnerships with bodies that can deliver the Mayor's vision for London.
- 2.2 In addition to this, a number of commissions and partnerships have been established, which contribute to the delivery of the GLA's priorities. The Mayor has also placed greater emphasis on building good relations with London boroughs, which play a crucial part in the delivery of many strategic priorities.

### **Key deliverables**

- 2.3 The main delivery bodies of the GLA are the London Development Agency (LDA), Transport for London (TfL), the Metropolitan Police Authority (MPA) and the London Fire and Emergency Planning Authority (LFEPA), but specific deliverables for the GLA in 2009-10 are as follows:
- Strengthen engagement between Mayoralty, police and boroughs on crime;
  - Preventative work on youth violence and increasing youth opportunities;
  - Improve outcomes for young people;
  - Tackle violence against women;
  - Reduce fear of crime, especially among older people;
  - Ensure the GLA's duties to promote health and reduce inequalities are fulfilled through GLA Group business and strategic partnership action;
  - Review the London Plan;
  - Improve Londoners' quality of life and the living environment;
  - Publish and/or revise opportunity area planning frameworks;
  - Accelerate the increase in London's housing supply and affordable homes;
  - Set up the Homes and Communities Agency London arrangements;
  - Work to improve the availability of accessible housing;
  - Prioritise measures consistent with the commitment to carbon reduction targets of 60 per cent by 2025 and promoting open spaces;
  - Implement the Mayor's Street Trees and Priority Parks Programmes;
  - Encourage incentive schemes to improve London's recycling rate;
  - Mayor's priorities are reflected in preparations for the Games, and Mayor plays full role in key events;
  - Maintain contacts with Beijing and other cities having hosted Games to facilitate transfer of learning;

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

- Regular and effective community and media engagement to secure full socio-cultural and economic benefits;
- Increase opportunities and accessibility;
- Help deliver an efficient, modern, reliable and accessible transport network;
- Promote London’s economic growth and competitiveness, including employment opportunities and supporting SMEs;
- Support the Mayor's statutory roles on economic development in London;
- Support the Mayor’s engagement with central government and other agencies to deliver economic regeneration in London;
- Deliver an international programme of engagement with key cities and participate in key networks;
- Deliver a programme of world-class events to promote London culturally and socially;
- Undertake a programme of engagement with the private sector.

### Budget requirement

- 2.4 Including the financial contribution to the public sector funding package for the 2012 Olympic and Paralympic Games, the Mayor's estimated gross expenditure is £131.0m. After deducting fees, charges, investment income and the application of the election and general reserves, the budget requirement for 2009-10 is **£124.4m**. This is £3.4m lower than that for 2008-09. This reduction in expenditure represents a decrease of 2.7 per cent.

### Explanation of budget changes

- 2.5 The changes in 2009-10 relative to 2008-09 can be summarised as follows:

<b>Changes in the Mayor’s spending plans</b>	<b>£m</b>
<b>2008-09 adjusted budget requirement</b>	<b>127.8</b>
<i>Changes due to:</i>	
Inflation	1.9
Net growth in existing services and programmes	1.4
New initiatives and service improvements	0.8
Additional savings and efficiencies	-9.1
Elections	-6.3
Olympic and Paralympic Games funding agreement	0.4
Museum of London	0.2
Change in use of reserves	7.3
<b>2009-10 budget requirement</b>	<b>124.4</b>

- 2.6 The key changes in income and expenditure areas between years and that projected for the following two years for each of the main service areas are set out in the table overleaf.

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

Service/directorate analysis	Budget 2008-09 £m	Forecast 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
Mayor's Office	14.4	14.6	10.5	10.6	10.8
Media and Marketing	3.8	3.1	3.0	3.1	3.2
Policy and Partnerships	10.9	10.7	10.5	10.6	10.9
Finance and Performance	7.9	7.8	7.6	7.7	7.9
Corporate Services	20.7	20.1	19.6	20.0	20.4
Chief Executive	0.3	0.3	0.4	0.4	0.4
Olympic Funding Agreement	58.7	58.7	59.1	59.6	60.1
Museum of London	9.3	9.3	9.5	9.7	10.0
Elections	16.1	16.1	0.4	0.4	0.4
Capital financed from revenue	1.7	1.7	1.1	2.3	1.8
Savings to be allocated	-0.5	-	-1.3	-3.7	-4.0
<b>Net service expenditure</b>	<b>143.3</b>	<b>142.4</b>	<b>120.4</b>	<b>120.7</b>	<b>121.9</b>
Interest receipts	-2.7	-3.7	-2.0	-2.1	-2.2
Specific grants	-	-	-	-	-
<b>Net revenue expenditure</b>	<b>140.6</b>	<b>138.7</b>	<b>118.4</b>	<b>118.6</b>	<b>119.7</b>
Transfer to/from reserves	-12.8	-10.9	6.0	7.1	7.5
<b>Budget requirement</b>	<b>127.8</b>	<b>127.8</b>	<b>124.4</b>	<b>125.7</b>	<b>127.2</b>

### Inflation

- 2.7 Inflation is budgeted to add £1.9m to GLA (Mayor of London) costs in 2009-10.

### New initiatives and service improvements

- 2.8 Planned increases in the Authority's activities add £0.8m in 2009-10 to the budgeted costs relative to 2008-09.

### Savings and efficiencies

- 2.9 The budget incorporates cashable efficiency savings of £9.1m in 2009-10, which represents savings that should result from the work streams currently in progress. In total the Authority's savings represent 16.7 per cent of controllable expenditure, and exceed the Government's target.
- 2.10 In addition non-cashable efficiencies continue to be delivered across the Authority, in part derived from a programme of efficiency reviews. In the past year this has led to non-cashable savings arising from the move to a greater number of framework agreements, a reduction in time spent on letting contracts and the streamlining of processes.
- 2.11 The review programme also delivers improvements in the quality of services. Over the past year examples have included improvements in the commissioning of publications, and the management of events held in City Hall. While some growth is estimated in

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

respect of the Government's review of GLA powers much of the additional work is being contained within existing resources by teams across the Authority.

### 2012 Olympic and Paralympic Games

- 2.12 As part of the bid to host the Games both the Mayor and the Government signed guarantees confirming the amounts to be funded by council tax (up to £625m) and other funding sources, pledging to take all necessary measures to ensure that London will fulfil its obligations under the host city contract, which was signed with the International Olympic Committee. In the revised Memorandum of Understanding between the Government and the Mayor of London, signed in June 2007, this amount was confirmed, subject to the Greater London Authority's decision-making processes.
- 2.13 The financial contribution to support the cost of staging the Games forms part of the component budget of the Mayor of London. Therefore, reflecting the Mayor's intention that the amount to be raised through the council tax precept is £20 a year for a band D property and that there are an estimated 2.95 million band D equivalent households, the amount included in the GLA's component budget for 2009-10 is £59.1m.

### Crossrail

- 2.14 The draft budget for 2010-11 onwards does not include any estimates in respect of Crossrail. Subject to legislation, local authorities (including the GLA) will have the power to raise a supplement on business rates from April 2010 and to receive the proceeds. The funding arrangements for Crossrail provide for the Mayor to borrow £3.5bn towards the cost of Crossrail from 2010-11. A business rate supplement would be levied to service £3.5 billion of debt raised by the Mayor during construction, according to the following profile:

	2010-11	2011-12	2012-13	2013-14	2014-15
GLA borrowing £m	800	700	700	800	500

- 2.15 The Crossrail funding arrangements also envisage securing £300m of contributions from developers through use of planning obligations and, once it is implemented, £300m from the proposed Community Infrastructure Levy.

### Reserves

- 2.16 The expected movements in reserves are:

GLA reserves	Budget 2008-09 £m	Forecast 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
<b>Opening balances</b>	<b>19.4</b>	<b>32.2</b>	<b>21.1</b>	<b>27.1</b>	<b>34.2</b>
Transfers to/from:					
Election Reserve	-1.3	-7.1	4.6	4.6	4.6
Other earmarked reserves	1.0	-4.0	1.4	2.6	3.0
General reserves	-1.0	-	-	-	-
<b>Closing balances</b>	<b>18.1</b>	<b>21.1</b>	<b>27.1</b>	<b>34.2</b>	<b>41.8</b>

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

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- 2.17 The most significant movement on the earmarked reserves in 2009-10 relates to the building up of reserves for the 2012 Mayor and Assembly elections. This reserve, which is expected to be £10.9m at March 2010, will be built up in preparation for the 2012 elections. These costs will be kept under review.
- 2.18 At 31 March 2010 the general balance is expected to total some £3.4m which represents just over 2.3 per cent of the estimated 2009-10 net revenue expenditure, or just over 4 per cent when the amounts included in respect of the Olympic Funding Agreement and the Museum of London are excluded on the basis that they are covered by specific sources of funding. This will be kept under review.

## Section 3 – Greater London Authority: London Assembly

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- 3.1 The GLA Act 2007 introduced a separate component budget for the London Assembly in respect of the Assembly members, employees of the Authority who normally work as support staff for the Assembly or Assembly Members, goods or services procured solely for the purposes of the Assembly and the London Transport Users' Committee (London TravelWatch).

### **Role of the Assembly**

- 3.2 The aims of the Assembly are to:
- Hold the Mayor of London effectively to account;
  - Conduct effective investigations into issues that matter to Londoners;
  - Represent the views of Londoners and raise issues of concern on their behalf;
  - Sponsor and monitor London TravelWatch.

### **Key deliverables**

- 3.3 The Secretariat has six objectives that guide its work in supporting the Assembly. The Secretariat also has a major role in the planning and managing of the Mayoral and London Assembly elections (although the cost of the Election is included within the Mayor's component budget). Deliverables specific to 2009-10 are as follows:
- Support the new Assembly to establish effective structures and processes to fulfil its statutory duties;
  - Support the Assembly to scrutinise the Mayor's exercise of new powers transferred to him by the GLA Act 2007, including those in relation to planning, housing, waste, health inequalities and climate change;
  - Publicise the scrutiny work of the Assembly and its committees via the media and directly to stakeholders;
  - Encourage public attendance at Mayor's Question Time, in particular targeting equalities groups;
  - Develop accessible publicity material explaining the role of the Assembly and its composition;
  - Respond effectively to consultations from the Head of Paid Service on creation and deletion of posts in the core GLA.

## Section 3 – Greater London Authority: London Assembly

### Budget requirement

- 3.4 The Assembly's budget requirement for 2009-10 is **£8.7m**. This is the same as for 2008-09.

### Explanation of budget changes

- 3.5 The changes in 2009-10 relative to 2008-09 can be summarised as follows:

Changes in the Assembly's spending plans	£m
<b>2008-09 adjusted budget requirement</b>	<b>8.7</b>
<i>Changes due to:</i>	
Inflation	0.2
Savings and efficiencies	-0.2
<b>2009-10 budget requirement</b>	<b>8.7</b>

- 3.6 The key changes in income and expenditure areas between years and that projected for the following two years for the Assembly are set out in the table below:

Service analysis	Budget 2008-09 £m	Forecast 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
Assembly and Group Support	4.4	4.4	4.4	4.5	4.5
Committee Services	0.5	0.5	0.5	0.5	0.6
Directorate Business Support	0.5	0.5	0.5	0.5	0.6
Scrutiny	1.1	1.1	1.1	1.2	1.2
External Relations	0.3	0.3	0.3	0.3	0.3
London TravelWatch	1.6	1.6	1.6	1.7	1.7
Elections and Special Projects	0.1	0.1	0.1	0.1	0.1
Legal and other direct services	0.2	0.2	0.2	0.2	0.2
<b>Net service expenditure</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>	<b>9.0</b>	<b>9.2</b>
Interest receipts	-	-	-	-	-
Specific grants	-	-	-	-	-
<b>Net revenue expenditure</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>	<b>9.0</b>	<b>9.2</b>
Transfer to/ from reserves	-	-	-	-	-
<b>Budget requirement</b>	<b>8.7</b>	<b>8.7</b>	<b>8.7</b>	<b>9.0</b>	<b>9.2</b>

### Inflation

- 3.7 Inflation is budgeted to add £0.2m to GLA (London Assembly) costs in 2009-10.

### Savings and efficiencies

- 3.8 The budget incorporates cashable efficiency savings of £0.2m in 2009-10.

### Reserves

- 3.9 The Authority's accounts include an earmarked development reserve of £0.1m.

## Section 4 – Metropolitan Police Authority

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- 4.1 The mission of the Metropolitan Police Service and Metropolitan Police Authority is to serve London's communities by 'Working together for a safer London'. Key elements of this mission are the focus on reducing crime, including the likelihood of people becoming victims of crime, as well as improving the prospects of bringing those who commit crime to justice, particularly where there is a significant impact on vulnerable victims.

### Key Deliverables

- 4.2 The budget for the Metropolitan Police Authority is dependent on containing additional costs of security operations, but has been framed to provide sufficient resources to support the following corporate objectives:
- Reduce serious violence and protect young people, including:
    - Deliver the strands of the Serious Violence Strategy, particularly Blunt 2 (knife crime), gang resistance and youth prevention work. To reduce the level, the fear and the harm of weapon-enabled offences in London's communities;
    - Deliver the outcomes within the Youth Strategy and develop further partnership and third sector initiatives;
    - Safeguard children from abuse and investigate those who offend against them, and to increase reporting of crime against children and young people;
    - Deliver the highest standards for homicide and serious crime investigation and prevent homicide by using disruption tactics, particularly amongst young people;
    - Tackle weapon-enabled crime, with particular reference to young people;
    - Provide Central Operations assets to assist in the reduction of serious violence and protection of young people, especially in bringing more offenders to justice;
    - Develop a comprehensive communication strategy to support the youth crime strategy, including marketing/advertising activity targeted at young people and to show through media activity our work to tackle youth and serious violence;
  - Make London's neighbourhoods safer through local and city-wide problem solving and partnership working to reduce crime, anti-social behaviour and road casualties;
  - Disrupt more criminal networks and reduce the harm caused by drugs;
  - Make services more accessible and improve people's experience of their contact with the police, especially victims and witnesses;
  - Enhance counter-terrorism capability and capacity;
  - Plan for, and effectively police, major events in London and prepare for the 2012 Olympics;
  - Lead and manage the service to ensure the most efficient, effective and economic use of all resources entrusted to the police.

## Section 4 – Metropolitan Police Authority

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### Budget requirement

- 4.3 The Police Authority's gross expenditure is estimated to be £3,603.1m. After deducting fees, charges, specific grants, other income and use of reserves, the budget requirement for 2009-10 is **£2,640.3m**. This is £45.3m higher than that for 2008-09.

### Explanation of budget changes

- 4.4 The key changes in income and expenditure areas between years and that projected for the following two years for each of the main service areas are set out in the table overleaf. The changes in 2009-10 relative to 2008-09 can be summarised as follows:

<b>Changes in the Police Authority's spending plans</b>	<b>2009-10 £m</b>
<b>2008-09 budget requirement</b>	<b>2,595.0</b>
<i>Changes due to:</i>	
Inflation	88.5
Net growth in existing services and programmes	27.0
New initiatives and service improvements	30.2
Savings and efficiencies	-92.3
Increase in specific grants	-8.1
<b>2009-10 Budget requirement</b>	<b>2,640.3</b>

## Section 4 – Metropolitan Police Authority

Service analysis	Budget 2008-09 £m	Forecast 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
Territorial Policing	1,474.4	1,470.2	1,477.8	1,480.8	1,479.0
Specialist Crime Directorate	394.4	394.8	387.2	382.7	382.7
Specialist Operations	217.3	217.3	224.7	230.4	230.4
Central Operations	268.6	270.5	264.6	264.7	272.2
Resources Directorate	264.9	253.0	256.9	266.8	272.8
Directorate of Information	218.1	216.6	212.1	224.5	226.2
Human Resources Directorate	152.6	149.5	152.4	138.8	136.4
Directorate of Public Affairs	6.7	6.2	6.0	6.0	6.0
Deputy Commissioner's Portfolio	56.4	55.3	53.1	52.5	52.0
Pensions	29.1	29.1	29.1	29.1	29.1
Centrally held budgets <sup>1</sup>	51.8	53.4	117.9	202.5	291.6
MPA	12.8	12.7	12.7	13.0	13.2
Savings to be agreed	-	-	-	-57.5	-124.5
<b>Net service expenditure</b>	<b>3,147.1</b>	<b>3,128.6</b>	<b>3,194.5</b>	<b>3,234.3</b>	<b>3,267.1</b>
Capital financing costs	21.6	21.6	19.4	20.0	20.7
Interest receipts	-11.8	-15.0	-9.0	-9.0	-9.0
Specific grants	-556.5	-555.6	-564.6	-572.0	-572.0
<b>Net revenue expenditure</b>	<b>2,600.3</b>	<b>2,579.6</b>	<b>2,640.3</b>	<b>2,673.3</b>	<b>2,706.8</b>
Transfers to/from reserves	-5.4	15.4	-	-	-
<b>Budget requirement</b>	<b>2,595.0</b>	<b>2,595.0</b>	<b>2,640.3</b>	<b>2,673.3</b>	<b>2,706.8</b>

Note 1: This line includes budgets that the MPA will not attribute to business groups until later in its budget setting process. It includes, for example, inflation, pay awards and other such budget changes.

### Inflation

4.5 Inflation is budgeted to add £88.5m to MPA costs in 2009-10.

### Committed change

4.6 The full year effect of 2008-09 budget decisions and those items of expenditure which are unavoidable or to which the Authority has committed adds £27.0m to the MPA's budget for 2009-10.

### Increases in service levels and new initiatives

4.7 New initiatives add £30.2m to expenditure in 2009-10.

### Savings and efficiencies

4.8 The budget includes cashable savings and efficiencies totalling £92.3m in 2009-10. The Home Office have set a target of £311.4m to be achieved in the period 2008-09 to 2010-11. This represents 2.6 per cent of forecast Gross Revenue Expenditure in 2009-10.

## Section 4 – Metropolitan Police Authority

### Officer numbers

- 4.9 Over the three years to 2011-12, the number of police officers is forecast to increase by 25, while PCSOs increase by 176 and Special Constables by 6,250.

### Reserves

- 4.10 The planned use of reserves is shown in the table below. The MPA's policy is to maintain general revenue reserves of at least 2 per cent of net budgeted expenditure. These estimates include a general reserve and emergency contingency fund of 2.6 per cent of net budgeted expenditure.

<b>MPA reserves</b>	<b>Budget 2008-09 £m</b>	<b>Forecast 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
<b>Opening balances</b>	<b>216.6</b>	<b>216.6</b>	<b>232.0</b>	<b>232.0</b>	<b>232.0</b>
Transfers to/ from:					
Earmarked reserves	-5.4	15.4	-	-	-
General reserves	-	-	-	-	-
<b>Closing balances</b>	<b>211.2</b>	<b>232.0</b>	<b>232.0</b>	<b>232.0</b>	<b>232.0</b>

## Section 5 – London Fire and Emergency Planning Authority

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- 5.1 The London Fire and Emergency Planning Authority is responsible for fire and rescue services in London and it supports the London boroughs in their emergency planning role. LFEPA has achieved significant fire reduction improvements through the strategies in their London Safety Plan.
- 5.2 Highlights of recent performance include reductions in the total number of fires and serious fires, fire deaths and injuries, a substantial increase in community safety activity and a continued fall in the number of hoax calls. Significant progress was made against the five-year targets set out in the first performance plan (2000 to 2005) and good progress continues against the current performance plan.

### Key Deliverables

- 5.3 The budget for LFEPA in 2009-10 has been developed to build on these achievements and to support the vision of being a world-class fire and rescue service for London, Londoners and visitors. In addition to this the budget will support LFEPA in promoting sustainable development and in maximising the impact the Fire Authority can have on reducing pollution and harmful emissions. The budget will provide resources to support key service targets to:
- Reduce accidental fires in people's homes by five per cent (reducing baseline of 6,960 to an average of 6,612, for the five years ending 2009-10);
  - Reduce the number of accidental fire-related deaths in the home by 20 per cent (reducing baseline of 52 to an average of 41, for the five years ending 2009-10);
  - Reduce deliberate fires by ten per cent (reducing baseline of 28,678 to an average of 25,810, for the five years ending 2009-10);
  - Reduce hoax calls attended by five per cent (reducing baseline of 10,216 to an average of 9,705, for the five years ending 2009-10).

These key targets were set in the second London Safety Plan 2005-08 for the five years to March 2010. New targets will need to be set for the period from April 2010.

- 5.4 In addition to this the budget provides resources to:
- Actively promote the new fire safety regulation and community safety strategies;
  - Maintain current levels of emergency cover and progress plans for a new fire station in Havering;
  - Continue to deliver and maintain the dramatic increase in capacity to improve resilience to the new risks facing London;
  - Introduce measures to reduce the number of unwanted fire signals, including filtering calls received during the day when an automatic fire alarm has been activated and where the caller can confirm there has been no fire;
  - Introduce measures to reduce calls to release persons shut in lifts and to charge lift owners for these services in certain circumstances;
  - Continue good progress on delivering a number of major projects including a new regional control centre, new radio scheme, new personal protective clothing and

## Section 5 – London Fire and Emergency Planning Authority

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respiratory protective equipment for fire-fighters and a PFI programme to replace up to 10 fire stations;

- Continue the programme of home fire safety visits by station staff and by partners (target for 2009-10 still to be set – the target for 2008-09 is 40,250 visits by own staff);
- Continue to reduce the organisation's impact on the environment and promote sustainable development;
- Ensure the safety of major new developments such as Heathrow Terminal 5, Crossrail and those in the Thames Gateway;
- Prepare for the 2012 Olympic and Paralympic Games and for improvements in community safety as part of the Games legacy;
- Deliver a schools programme of fire safety education to primary schools;
- Deliver Local Intervention Fire Education, Juvenile Fire-setters Intervention and Fire Cadet Schemes, aimed at improving social cohesion amongst young people and the community;
- Work with London Boroughs and social housing landlords to ensure that all social housing is fitted with smoke alarms and sprinkler systems are fitted in homes of those most vulnerable;
- Continue to work towards achieving the progressive targets for recruiting women and black or minority ethnic communities to the operational workforce and to monitor performance and deliver on the commitments made in the Equalities Action Plan;
- Implement the e-HR strategy to deliver increased HR services online.

### **Budget requirement**

- 5.5 The Fire Authority's gross expenditure is estimated to be £463.4m. After deducting fees, charges and other income and the application of reserves, the budget requirement for 2009-10 is **£416.2m**. This is £11.1m higher than that for 2008-09.

### **Explanation of budget changes**

- 5.6 The key changes in income and expenditure areas between years and that projected for the following two years for each of the main service areas are set out in the table overleaf, as are the changes in 2009-10 relative to 2008-09.

## Section 5 – London Fire and Emergency Planning Authority

Changes in the Fire Authority's spending plans	2009-10 £m
<b>2008-09 budget requirement</b>	<b>405.1</b>
<i>Changes due to:</i>	
Inflation	15.5
Net growth in existing services and programmes	2.0
New initiatives and service improvements	1.2
Savings and efficiencies	-8.2
Increase in specific grants	-1.0
Changes in use of reserves	1.6
<b>2009-10 budget requirement</b>	<b>416.2</b>

Service analysis	Budget 2008-09 £m	Forecast 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
Community safety	37.9	39.0	38.2	39.4	40.3
Fire fighting and rescue	325.6	322.0	332.6	347.0	360.7
Fire-fighter pensions	59.2	58.4	60.4	62.0	63.5
Emergency planning	1.0	1.0	1.0	1.0	1.0
Central services	2.1	2.1	2.1	2.1	2.1
Savings to be agreed	-	-	-	-12.1	-22.8
<b>Net service expenditure</b>	<b>425.8</b>	<b>422.5</b>	<b>434.3</b>	<b>439.4</b>	<b>444.8</b>
Capital financing costs	10.8	10.4	11.5	11.9	11.9
External interest receipts	-4.8	-5.1	-3.5	-3.5	-3.5
Specific grants	-9.5	-11.2	-10.5	-10.5	-10.5
<b>Net revenue expenditure</b>	<b>422.3</b>	<b>416.6</b>	<b>431.8</b>	<b>437.3</b>	<b>442.7</b>
Transfer to/from reserves	-17.2	-11.5	-15.6	-	-
<b>Budget requirement</b>	<b>405.1</b>	<b>405.1</b>	<b>416.2</b>	<b>437.3</b>	<b>442.7</b>

### Inflation

- 5.7 Inflation is budgeted to be £15.5m in 2009-10. This includes the cost of known pay awards and provision for general price inflation on other non-staff budgets.

### Committed growth

- 5.8 The full year effect of 2008-09 budget decisions and those items of expenditure which are unavoidable or to which the Authority is contractually committed adds £2.0m to LFEPA's budget for 2009-10 and future years.

### Increases in service levels and new initiatives

- 5.9 There are also new initiatives, which add £1.2m to expenditure in 2009-10.

## Section 5 – London Fire and Emergency Planning Authority

### Savings and efficiencies

- 5.10 The budget includes cashable efficiency savings of £8.2m in 2009-10. LFEPA achieved the Government's three-year target of £19.5m efficiency savings to be achieved by March 2008. The savings budgeted for 2009-10 represent 1.9 per cent of net revenue expenditure.

### Operational Officer numbers

- 5.11 Over the three years to 2011-12, the number of fire-fighters is forecast to increase by 29.

### Reserves

- 5.12 The 2009-10 budget is supported by use of £15.6m reserves, all of which is taken from the general reserve. General reserves are projected to be £16.4m at March 2010, which is 3.8 per cent of the net revenue expenditure. Reserve requirements are currently being reviewed in the light of recent economic forecasts and the updated CIPFA guidance.

- 5.13 The table below shows the estimated balances on both capital and revenue reserves.

<b>LFEPA reserves</b>	<b>Budget 2008-09 £m</b>	<b>Forecast 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
<b>Opening balances</b>	<b>48.2</b>	<b>51.5</b>	<b>38.4</b>	<b>22.8</b>	<b>22.8</b>
Transfers to/from:					
Earmarked reserves	-18.6	-20.0	-	-	-
General reserves		6.9	-15.6	-	-
<b>Closing balances</b>	<b>29.6</b>	<b>38.4</b>	<b>22.8</b>	<b>22.8</b>	<b>22.8</b>

## Section 6 – Transport for London

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- 6.1 In 2007 TfL secured a 10-year funding settlement covering the period to 2017-18. This £39.2bn settlement covers the funding of Crossrail, support for Tube line upgrades and the rest of TfL's operations. By 2012 there will be an increase of over 10 per cent in the capacity of London's public transport network, increasing to almost 30 per cent by 2018. Much of this will be delivered directly by TfL (including Crossrail), with the rest delivered by Network Rail.
- 6.2 The financial settlement covered the following:
- Crossrail is fully funded to £15.9bn including contingency;
  - The assumed cost profile for Tube Lines for the second PPP review period. LUL sought guidance from the PPP Arbiter in April 2008 on the likely costs of delivering these obligations and his initial review suggests a potential gap of over £1bn. TfL have subsequently notified the Government that this outcome represents an "exceptional pressure";
  - An additional £4.8bn of borrowing, including a £2.4bn TfL contribution to Crossrail, compared to £3.3bn included in the previous, 2004, five-year settlement.
- 6.3 As a result of the settlement the remaining grant for TfL is extremely constrained. In particular core operating expenditure growth, excluding PPP, is reduced in real terms. TfL has launched a major efficiency programme to maximise the effectiveness of its expenditure.

### Key deliverables

- 6.4 The key deliverables in the Business Plan for the period to 2012 include:
- **London Underground**
    - Services: Significant increase in service frequency, capacity and reliability on Jubilee line (up 33 per cent) with Northern and Victoria line upgrades completed in 2012;
    - New air-conditioned "S stock" trains in service introduced on the Metropolitan line from 2010 and on the Circle, District and Hammersmith and City lines from 2011;
    - King's Cross St. Pancras completed including new "Northern" ticket hall to provide capacity for new domestic high speed service and Olympic "Javelin";
    - 80 further stations modernised/refurbished with new security/CCTV systems and customer information;
    - Step-free access: 25 per cent of LU stations step free by end of 2010, plus meeting Olympics commitments at Green Park, Baker Street (sub-surface) and Southfields;
    - Over 200km of track replaced and renewed.

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### London Rail

London Overground enhancement works will be completed by the end of 2011-12 including:

- A doubling in operated train kilometres and an improvement in reliability (94 per cent of trains on time compared to 91 per cent in 2007-08);
- Implementation of the East London Line Extension (ELL), north to Dalston Junction and south to Crystal Palace and West Croydon, due for completion in 2010;
- Completion of the North London Railway (NLR) Infrastructure Project in 2011, including the Dalston link to the ELL;
- New trains and refurbished stations for all Overground routes.

The DLR expansion programme will also be completed by 2011-12, significantly increasing capacity and the geographic reach of the network:

- An increase of 36 per cent in operated train kilometres in comparison to 2007-08 with continued high performance in reliability (96 per cent of trains on-time; 98 per cent of train services operated);
- Opening of the Woolwich Arsenal Extension by February 2009;
- Stratford International Extension completed in mid 2010;
- 3-car operation on all DLR routes, including the Beckton branch;
- Croydon Tramlink: programme of improvements including tram and tram-stop refurbishment.

### Surface Transport

Roads: Improvements to traffic flow will be introduced including real time traffic management, rephasing of traffic lights where appropriate and other measures. These measures will improve the efficiency of London's road network, increasing capacity and reducing delay.

Major highway capital works to support smoothing traffic flows at:

- Bounds Green: Safety and environmental improvements along the A406, scheduled for completion in 2011;
- Henlys Corner: A406 junction improvement scheme to reduce accidents while maintaining vehicle flow, scheduled for completion by 2011;
- Hanger Lane: Replacement bridges over the Great Western mainline and Underground lines scheduled for completion in 2011;
- A40 Western Avenue: Replacement of road bridges over the Great Western mainline, scheduled for completion in 2010;
- Tottenham Hale: Completion of changes to current gyratory road layout improving Tottenham town centre (subject to Community Infrastructure Fund (CIF) and Growth Area Fund (GAF) grant confirmation);

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- Blackwall Tunnel: Refurbishment of the northbound tunnel, scheduled for completion during the Plan period.

### **Cycling**

Implementation of a fundamentally new programme to increase cycling significantly throughout London including:

- Delivery of a central London cycle hire scheme by May 2010;
- New cycle 'highways' schemes;
- Creating cycle hubs across London, which will include a further 66,000 cycle parking spaces.

### **Walking**

- £34m investment between 2009-10 and 2011-12 including pilots for Legible London.

### **Buses**

Over the coming months, an independent review of the key aspects of the bus network will be undertaken. In parallel to this review, a number of improvements will be delivered including:

- Introduction of 21st Century Routemaster prototypes into service in 2011, with plans for a roll out after this date developed;
- Replacement of articulated buses in the most cost efficient way as bus contracts come up for renewal;
- An increase of approximately 4 per cent in the size of the bus network (operated kilometres) from 2006-07 levels (8 per cent over the period to 2017-18);
- Completion of East London (phase 1a and 1b) and Greenwich Waterfront Transit (phase 1) schemes;
- The implementation of the iBus system fleet wide by mid 2009, complemented by an additional 2,000 Countdown signs by 2013;
- 56 trial Hybrid bus vehicles by March 2009 with over 360 by March 2011 plus a trial of Hydrogen buses;
- Road Safety: achieving the target of a 50 per cent reduction in the number of killed and seriously injured by 2010 (compared to 1994 to 1998 levels).

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### Public Realm

The Plan includes a number of schemes to enhance the public realm including supporting improvements (in conjunction with the Boroughs and third parties) to Brixton Central Square, Gants Hill station environs, Tottenham Hale and Exhibition Road. As part of the delivery of core programmes (such as street maintenance and renewals programme), TfL is supporting improvements that enhance the public realm including improved pavements, crossings and the removal of obsolete street furniture and railings. Proposals are also being developed to improve the public realm where major transport investments are being delivered including the Tube, Overground, Crossrail and Thameslink.

### Boroughs

TfL is working on a package of reforms to the Local Implementation Plan (LIP) funding process. In line with the objectives of the City Charter, a working group involving TfL, officers from 7 Boroughs and London Councils has been set up to agree on a number of changes including:

- Fewer programmes by reducing them from the 20+ currently managed to 5;
- Reducing bureaucracy by cancelling the need to provide annual progress reports;
- Greater flexibility through the introduction of £100k per Borough payment for local transport projects of their choice;
- Greater certainty by allocating a greater proportion of the funding for the 2nd and 3rd year of the settlement should be issued – we have also started discussions with the boroughs on how to allocate these funds through a formula. This will provide more certainty and will reduce costs for both TfL and the boroughs.

### Corporate

There are a number of key initiatives that will be delivered by 2012:

- Ticket Retailing: The exercise of the break clause in the Prestige contract for the supply of Oyster will generate savings and increased flexibility in delivering future changes in ticket retailing. This will be replaced with a direct contract with Cubic and EDS. TfL is also examining the current bespoke system with contactless bank cards (provided by Visa and MasterCard) and has trialled Oyster on mobile phones;
- Information Management: The costs of providing information technology services across TfL are being reduced by better focusing TfL's spend and investing in infrastructure to deliver operating cost savings;
- Customer Information: TfL is improving the efficiency of its customer information services, making the transport system easier to use and helping London become more liveable. For example, better information is being provided on cycling in London and Journey Planner is being developed to improve the delivery of real-time travel information, including access to licensed mini cab contact details. In addition, TfL plans to make efficiencies across its Customer Service Centres, improving the service delivered to customers while reducing costs.

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### Budget Requirement

- 6.5 TfL's gross expenditure in 2009-10 is budgeted at **£7.6bn** consisting of expenditure and contribution to Crossrail on its operations, capital projects, debt servicing and contingency, less prudential borrowing. Deducting income of £3.7bn leaves £4.0bn to be met by funding from external sources and reserves. The bulk of the funding is in the form of Transport Grant from Government. TfL will continue to borrow under the Prudential Borrowing regime as agreed with Government. Total outstanding borrowing is expected to reach approximately £5bn by 2011-12.
- 6.6 TfL's budget requirement (which is the amount to be raised from the GLA council tax precept) for 2009-10 is **£12m**, which remains unchanged on 2008-09.

### Explanation of budget changes

- 6.7 The key changes in income and expenditure areas between years and that projected for the following two years for each of the main service areas are set out in the table overleaf. The changes in 2009-10 relative to 2008-09 can be summarised as follows:

<b>Changes to the TfL's spending plans</b>	<b>£m</b>
<b>2008-09 budget requirement</b>	<b>12</b>
<i>Changes due to:</i>	
Inflation	204
Existing projects (includes over-programming)	-144
Fees, charges and ticket/trading revenue	-136
New initiatives	84
Services increases	134
Efficiencies, other savings and budget reductions	-207
Debt Servicing, Contingency and other group items	-27
Net Cross Rail Funding Contribution Costs	204
Net Metronet	-91
Funding and working capital	-21
<b>2009-10 budget requirement</b>	<b>12</b>

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<b>Service analysis</b>	<b>Budget 2008-09 £m</b>	<b>Forecast 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
<b>Income</b>					
Traffic income	-2,805	-2,832	-3,043	-3,231	-3,441
Congestion charge, LEZ, enforcement income	-423	-365	-374	-373	-370
Other income	-235	-232	-253	-270	-262
	<b>-3,463</b>	<b>-3,429</b>	<b>-3,669</b>	<b>-3,874</b>	<b>-4,073</b>
<b>Operating costs</b>					
London Underground	1,779	1,782	1,805	2,091	2,143
Metronet	518	511	571	580	557
Surface Transport	2,643	2,619	2,686	2,708	2,766
London Rail	295	277	358	359	314
Corporate Directorates	553	505	519	579	627
	<b>5,788</b>	<b>5,692</b>	<b>5,940</b>	<b>6,318</b>	<b>6,406</b>
<b>Capital expenditure</b>					
London Underground	555	539	568	603	584
Metronet	643	652	768	1,021	1,024
Surface Transport	296	236	262	187	153
London Rail	730	553	530	207	33
Corporate Directorates	102	75	64	80	77
Property Sales	-49	-21	-45	-38	-41
Third Party Contributions	-170	-167	-152	-106	-24
Group Level over-programming	-68	-	-51	-50	-50
	<b>2,040</b>	<b>1,867</b>	<b>1,944</b>	<b>1,904</b>	<b>1,756</b>
<b>Other</b>					
Interest income	-85	-109	-64	-31	-16
Assumed Efficiencies (Net)	-	-	48	-61	-230
Debt servicing	190	116	166	207	227
Contingency	88	83	89	77	78
<b>Net services expenditure</b>	<b>4,558</b>	<b>4,220</b>	<b>4,454</b>	<b>4,540</b>	<b>4,148</b>
Movements in working capital	-347	-213	-27	-77	-104
Specific Grants	-3,098	-3,088	-3,036	-3,381	-3,057
Crossrail Contribution	405	405	617	832	788
Crossrail Funding	-	-	-8	-990	-875
Transfer to/from reserves	-657	-462	-805	-186	-
Accelerated/deferred allocation of funding	219	217	-83	-219	-170
Prudential borrowing and other financing	-1,067	-1,067	-1,100	-507	-718
<b>Budget requirement</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>

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- 6.8 The Crossrail contribution included above represents funding that TfL will pass to Crossrail. Part of this is funded by GLA borrowing agreed with Government in the SR2007 settlement. This is shown in the Crossrail funding line. The GLA borrowing will be repaid using a dedicated Business Rate Supplement.
- 6.9 Accelerated/deferred allocation of funding represents timing differences in the use of cash resources where these differ from movements on accounting reserves.
- 6.10 The above table includes estimates of net capital expenditure<sup>1</sup>, which include provision for over-programming. The plan to 2011-12 assumes £571m of Over-programming related to the timing of capital projects across TfL, in particular London Underground's £4.8bn investment programme (including Metronet projects). A detailed analysis of the likelihood of the programme slipping due to a number of reasons, such as failure to gain planning approval, has been undertaken. Over-programming is estimated to reverse to nil by end of the TfL Business Plan period in 2017-18. The provision for over-programming is held at group level, and within the two larger modes and Metronet as shown below.

<b>Over-programming</b>	<b>Budget 2008-09 £m</b>	<b>Forecast 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
London Underground	60	36	50	80	30
Surface Transport	43	31	-	-	-
Metronet	176	180	80	160	20
Group level	68	-	51	50	50
<b>Total over-programming</b>	<b>347</b>	<b>248</b>	<b>181</b>	<b>290</b>	<b>100</b>

### Inflation

- 6.11 Inflation is estimated to add £204m to TfL's costs in 2009-10. This is based on assessment of underlying inflation rates for a variety of expenditure types and observed inflation in existing contracts such as those on the bus network. Where appropriate published indices have been used such as EC Harris figures of construction cost inflation.

### Fees, charges and ticket/trading revenues

- 6.12 The estimates for traffic income reflect the fares package for 2009 announced by the Mayor in September 2008. This raised fares on average by RPI+1 per cent and the same assumption has been used for succeeding years in the plan period. The actual level of fare increases is decided by the Mayor annually, with a view to keeping fare increases to an absolute minimum while safeguarding investment. The estimates also reflect the Western extension of the Central London Congestion Charge, which was introduced in February 2007. Subsequent to the publication of the TfL Business Plan the Mayor has announced he plans to ask TfL to remove the Western Extension, subject to formal

<sup>1</sup> Net capital expenditure less prudential borrowing is the amount of capital expenditure to be charged to a revenue account in the local authority accounting regime

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consultation processes. The financial impact of this will be reflected in next year's budget process, as the earliest date for removal is not until 2010-11.

### Increases in service levels and new initiatives

6.13 Planned increases in service levels and new initiatives are detailed in Appendix D.

### Savings and efficiencies

6.14 TfL has instigated a future savings plan with a target of £2.4bn new savings by 2017-18, representing 14 per cent of relevant controllable expenditure. The savings include savings from the integration of LU and Metronet, savings from the ticketing system, a strategic approach to IM support and other TfL support activity, including reducing overhead expenditure, strategy development etc.

6.15 Key areas of costs currently under review include:

- Organisational structure;
- Reducing overall levels of cost for Business Support (HR, Procurement, Finance etc), Governance, Marketing and Strategy and Policy;
- Opportunities for better managing external spend and ensuring value for money procurement.

6.16 Additionally the Business Plan assumes a 28 per cent addition in tube capacity with no real increase in staffing costs. An independent review of the bus network has also been commissioned.

### Grant funding

6.17 The budget for 2009-10 and subsequent planned funding for 2010-12 is set out in the table below.

<b>Grant funding</b>	<b>Budget 2008-09 £m</b>	<b>Forecast 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
Transport Grant	3,019	3,013	2,897	3,300	3,040
Other grant items	79	75	139	81	17
<b>Specific Grants</b>	<b>3,098</b>	<b>3,088</b>	<b>3,036</b>	<b>3,381</b>	<b>3,057</b>

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### Reserves

- 6.18 Total reserves are forecast to reduce from the current forecast 2008-09 closing level of £1,141m to £150m by the end of 2011-12, as follows:

TfL reserves	Budget 2008-09 £m	Forecast 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
<b>Opening balances</b>	<b>1,603</b>	<b>1,603</b>	<b>1,141</b>	<b>336</b>	<b>150</b>
Transfers to/(from):					
LUL reserves provision	-	-			
Earmarked reserves	-657	-462	-805	-175	-
General reserves	-	-	-	-11	-
<b>Closing balances</b>	<b>947</b>	<b>1,141</b>	<b>336</b>	<b>150</b>	<b>150</b>

### Managing risk

- 6.19 To assure delivery of the Business Plan objectives, TfL seeks to understand the possible risks and to ensure that appropriate actions and resources are in place to manage them and mitigate any impact that may occur. Safety risk is dealt with separately as part of the management of the safety case, but strategic and operational risk is dealt with as part of the business planning and ongoing monitoring processes. TfL has in place a strategic risk management policy that has been approved by the Board. Risk management is the responsibility of all managers within TfL. Details of key risks are maintained and updated by all the business units. The top 10-15 significant strategic risks that might prevent TfL achieving the objectives in the Business Plan are captured through a top-down process that involves direct input from all chief officers. The activities underway, or in development, that will mitigate the risks are also documented. In most cases, the resources needed for these activities are already funded in the Business Plan, but a moderate risk contingency is available where additional action is required. Information on the operation of the risk management processes, the risks identified and the mitigations being taken are reported to the TfL Audit Committee. Risk reporting and monitoring is a part of the Business Management Review process and TfL maintains a general fund to cover key strategic risks.
- 6.20 A number of risks have been identified:
- Lower fare income resulting from an economic slowdown or recession;
  - Cost inflation continuing to be above the 2.7 per cent annual inflation level assumed in the financial settlement with the Government;
  - Tube Lines costs resulting from the second periodic review of the Public Private Partnership contract being higher than those assumed in the Plan;
  - Future costs of the bus network, due to the contractor marketplace, changes to vehicle type and inflationary pressures;
  - Timely delivery of the organisational and other changes required to realise the £2.4bn of savings assumed in the Plan;

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- Future pension contributions given recent volatility in the financial markets;
- Electricity/fuel costs increasing above current market rates and further above retail price index increases assumed in the Plan;
- Acts of terrorism having an impact larger than the reserves included in the Plan to cover such attacks.

6.21 As time passes, there could be strains on the Plan resulting from these and other risks, particularly from organisational changes or unforeseen events. TfL will manage these by continuously reviewing the assumptions underpinning the Plan and develop risk specific mitigation strategies to lessen any negative impact.

### **Earmarked reserves**

6.22 In order to manage its investment and borrowing programme TfL has created an earmarked capital reserve that will be required to meet its capital commitment over the plan period. The reserve will be fully utilised by March 2011

### **General reserves**

6.23 TfL's general reserves are expected to reduce to £150m during 2010-11. It is considered that this level of reserves is appropriate to meet general requirements.

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- 7.1 This Budget is based on the LDA's draft Investment Strategy and Business Plan which is currently out to public consultation. The Mayor is also developing an Economic Recovery Action Plan to strengthen the London's ability to minimise the negative effects of the current recession. Both these developments are likely to influence the shape of the final Investment Strategy for 2009-10 and with it the budget.
- 7.2 The LDA and the Mayor are responsible for encouraging economic development and regeneration by:
- Driving London's growth and development while supporting a switch to a low carbon London;
  - Ensuring all Londoners are able to access this employment by working with business to tackle barriers to employment and progression;
  - Creating the conditions London needs to facilitate business growth, productivity and employment.
- 7.3 In the Plan period there is a heavy emphasis on the successful delivery of the Olympic Games and in particular ensuring that the unprecedented physical and socio-economic opportunities to the Capital, in terms of regeneration, tourism, health, employment, and business are captured and maximised, to leave a lasting positive difference for London and Londoners.
- 7.4 The Mayor sets the targets for the LDA, part of them reflecting the national target Framework that applies to the other Regional Development Agencies, while some of them, such as Childcare or Affordable Housing, focus on London's specific needs.

### **Key deliverables and objectives**

- 7.5 The LDA has identified the following key deliverables and objectives for the Plan period to 2012:

#### **A. Corporate**

##### **Developing an organisation fit for purpose which delivers value for money**

- Since the May election the LDA has been re-organised, the staff establishment has been reduced by over 70 posts and the Agency has been re-focused around the investment strands of growth skills and jobs;
- The revised administration budget for 2009-10 is £3.5m below the government target despite additional Palestra costs of nearly £2m.

#### **B. Growth**

##### **Encouraging Housing investment**

- Co-ordinating housing delivery, funding and strategy with the Housing and Communities Agency;
- Optimising the supply of new homes by working with the supply chain of developers and funders, and with local authorities and their communities.

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### **Supporting commercial land remediation and site development**

- Facilitating the availability of land and premises to meet the needs of London's business community, particularly in areas that will generate high quality and plentiful jobs and skills levels;
- Seeking to unlock sites for commercial development through the facilitation of infrastructure improvements, maximising the use of Brownfield land and remediation of contaminated land;
- Driving forward the development and physical regeneration of the Lower Lea Valley and Thames Gateway Remediate and/or invest in reclaiming and developing brownfield land.

### **Making town centres better and driving key growth hubs**

- Delivering places that are sustainable and that complement or enhance the existing environment and which minimise the effects of climate change;
- Creating public realm as an integral part of regeneration or development schemes;
- Producing public spaces that act as a destination for local communities, tourists, travellers and other visitors, which displace crime and anti-social behaviour and promote community cohesion and a sense of civic pride.

### **Delivering energy and waste initiatives and projects whose design incorporates adaptation to climate change and whose operations mitigate future climate change**

- Contributing towards decarbonising London's energy supply;
- Reducing the demand for energy by improving energy efficiency in the commercial and public sectors;
- Minimising commercial and industrial waste and improving levels of reuse and recycling;
- Creating and improving London's green space.

### **Driving the Delivery of the Olympic Land assembly and preparations for the physical and socio-economic regeneration of the Olympic Park and the wider Lower Lea Valley**

- Assembling and preparing a development platform for a sustainable regeneration legacy that fully integrates with the surrounding areas, based on the successful relocation of occupiers from the Olympic Park;
- Leading the redevelopment and regeneration of the Lower Lea Olympic Park area through transformational physical and socio-economic programmes, creating a vibrant and inclusive urban district underpinned by high quality environments and sustainable communities;
- Providing funding contribution for delivery of Olympic infrastructure and facilities in London;

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- Incorporating low or zero carbon site-wide strategy for both the 2012 Games and its legacy;
- Maximising opportunities for low and zero carbon strategy in the Olympic sites to influence surrounding areas by extending the CCHP networks into areas outside the Olympics area, e.g. High Street.

### C. Skills

#### **Pursuing investments in skills that are focussed on outcomes and value for money, which add value and which are demand led. These will centre on:**

- Implementing the LSEB delivery plan by working with key partners such as the Learning and Skills Council, Jobcentre Plus, employers and Local Authorities;
- Working with employers to offer better skills and job opportunities to Londoners by supporting Londoners to improve their skills, job and advancement prospects through integrated employment support and training opportunities. Working toward a fully integrated, customer focused skills and employment system;
- Investing in young people to ensure that they are an included part of our community and ensuring that young people gain the skills that they need to access employment;
- Moving some investment to school level intervention, working with business partners and central government to intervene where schools are failing and provide business driven academies;
- Working with borough partners and the voluntary sector to ensure that London has an effective youth programme that creates positive pathways for young people. Participation in sport will be an integrated part of this work;
- Delivering high quality affordable childcare that builds on the already successful childcare programme to ensure that parents can access training and achieve sustained employment;
- Capitalising on the Olympic and Crossrail Investments by ensuring that Londoners are well equipped to access the jobs generated by these massive programmes.

### D. Jobs

#### **Creating sustainable employment opportunities for Londoners and ensuring that all entrepreneurs have easy access to high-quality business support by:**

- Maintaining London's overall competitiveness and global advantage and ensuring that London remains the best city in which to locate a business. The role of the GLA family lies in the provision of high quality transport and lobbying central government on the issues of taxation and regulation; and for the LDA, the development of the right skills available to the London market;

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- Accessing new markets and growing markets overseas. Working with UK Trade and Industry (UKTI) to simplify and expedite the accessibility of new markets to London businesses;
- Building a better understanding of business by building a strong partnership group with the task of developing a shared investment agenda, underpinned by high quality research;
- Building on and driving forward the simplification agenda coming out of central government, and offering offer bespoke support for SMEs that builds on the success of innovative initiatives like CompeteFor8;
- Capitalising on the Olympic and Crossrail Investments.

### Explanation of budget changes

7.6 The key changes in income and expenditure areas between years and that projected for the following two years for each of the main programme areas are set out in the table overleaf. The changes in 2009-10 relative to 2008-09 can be summarised as follows:

<b>Changes on the LDA's spending plans</b>	<b>2009-10</b>
	<b>£m</b>
<b>2008-09 budget requirement</b>	<b>Nil</b>
<i>Changes due to:</i>	
Increases in programme expenditure	13.7
Reductions in Olympic spending	-101.3
Reduction in programme support, contingency etc	-4.0
Increase in Interest	8.5
Reduction in grant funding	4.1
Increase in other income	-54.7
Reduction in prudential borrowing	133.7
<b>2009-10 budget requirement</b>	<b>Nil</b>

7.7 The grant settlements for 2009-10 and 2011-12 make reductions to the LDA's core grant, from £382.6m in 2009-10 to £329.5m in 2009-10 and £378.0m in 2011-12.

7.8 The key changes in income and expenditure areas between years and that projected for the following two years for each of the main service areas are set out in the table overleaf.

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Service analysis	Budget 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
<b>Revenue expenditure</b>				
Programme Costs (see below for fuller analysis)	177.6	202.3	186.6	158.1
Olympic costs –financing	17.3	25.8	28.1	32.7
Other Revenue Costs	42.2	39.5	39.9	40.9
<b>Total Revenue Costs</b>	<b>237.1</b>	<b>267.6</b>	<b>254.6</b>	<b>231.7</b>
Capital Costs	96.4	85.4	56.0	74.0
Olympic Costs	213.3	112.0	183.8	177.3
Other	5.3	4.0	-13.7	27.4
<b>Total Capital Costs</b>	<b>315.0</b>	<b>201.4</b>	<b>226.1</b>	<b>278.7</b>
<b>Total Expenditure</b>	<b>552.1</b>	<b>469.0</b>	<b>480.6</b>	<b>510.4</b>
<b>Income</b>				
Core government funding	-386.7	-382.6	-329.5	-378.0
Capital receipts	-14.4	-10.4	-37.2	-17.9
Repayment of grant swap	39.5	-	-	-
Project specific income	-26.5	-21.7	-17.2	-17.1
ESF/ERDF Income	-3.0	-22.5	-22.0	-8.0
Borrowing	-161.1	-27.4	-74.7	-89.4
Underspend b/f	-	-4.5	-	-
<b>Total Income</b>	<b>-552.1</b>	<b>-469.0</b>	<b>-480.6</b>	<b>-510.4</b>
<b>Budget requirement</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

7.9 A summary of expenditure by programme is as follows:

Programme Costs	Budget 2008-09 £m	Budget 2009-10 £m	Plan 2010-11 £m	Plan 2011-12 £m
Growth Programmes	81.4	77.1	62.1	57.5
Skills Programmes	77.1	99.6	95.4	96.4
Jobs Programmes	115.6	110.9	85.1	78.2
Olympic Park and Lower Lea Valley	207.9	106.6	178.4	171.9
<b>Total Programmes</b>	<b>482.0</b>	<b>394.2</b>	<b>421.0</b>	<b>404.0</b>
Interest – Olympic Financing	17.3	25.8	28.1	32.7
Policy and Programme Support	46.2	41.6	42.4	43.6
Contingency	5.3	4.0	3.0	2.0
Corporate Planning	1.4	3.3	2.9	2.7
Awaiting Board decision	-	-	-16.7	25.4
<b>Total Expenditure</b>	<b>552.1</b>	<b>469.0</b>	<b>480.6</b>	<b>510.5</b>

7.10 Policy and Programme Support covers the Agency's staffing and running costs.

## Section 7 – London Development Agency

7.11 A fuller analysis of budgeted and planned programme costs is as follows:

<b>Programme analysis</b>	<b>Budget 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
<b>Growth Programmes</b>				
Quality Places	53.2	24.7	17.7	19.8
Places for Business	9.8	18.9	16.6	12.9
Quality Public Realm and green space	11.6	15.6	9.8	6.8
Energy and waste	6.7	18.0	18.0	18.0
<b>Total Growth Programmes</b>	<b>81.4</b>	<b>77.1</b>	<b>62.1</b>	<b>57.5</b>
<b>Skills Programmes</b>				
Skills strategy and Innovation	5.6	1.4	0.9	2.5
Employment information and advice	10.3	7.5	4.5	5.2
Youth	9.7	23.0	23.0	27.0
Childcare	14.7	19.5	18.0	18.0
Employability	22.6	32.3	32.3	27.9
Olympic skills	13.1	14.4	15.1	14.5
Sport participation	1.2	1.6	1.6	1.3
<b>Total Skills Programmes</b>	<b>77.1</b>	<b>99.6</b>	<b>95.4</b>	<b>96.4</b>
<b>Jobs Programmes</b>				
Business strategy and partnership	1.2	1.9	1.2	1.2
Integrated Business link	28.1	29.6	28.3	28.0
Finance	6.5	13.2	1.5	1.6
Business growth	29.2	21.0	12.9	8.0
Global Competitiveness	43.9	39.6	36.1	34.6
Olympic business benefits	5.8	4.6	3.0	2.7
Olympics Culture	1.0	1.0	2.1	2.1
<b>Total Jobs Programmes</b>	<b>115.6</b>	<b>110.9</b>	<b>85.1</b>	<b>78.2</b>

7.12 In addition to the above analysis the LDA manages European Social Fund and European Regional Development Funds. These are matched funding programmes, which run for 7 years from 2007, totalling £330m and £120m respectively.

### Capital Programme

7.13 The expenditure analysis above includes planned capital expenditure. An analysis of capital expenditure is included in Section 9. Capital spending for 2009-10 is £201.4m including £112m for 2012 Olympic and Paralympic Games capital spending.

### Savings and efficiencies

7.14 The Core grant to the LDA has been reduced in 2009-10 (from £386.7m to £382.6m). The grant level is scheduled to be reduced in 2010-11 to £329.5m. This puts an even higher premium than usual on the importance of ensuring that the Agency delivers value for money. Accordingly the LDA have undertaken a wide-ranging re-organisation, which has led to the reduction of approximately 70 staff establishment posts. This has

## Section 7 – London Development Agency

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saved over £7m from the initial budget. Even allowing for additional, previously unbudgeted Palestra costs of £1.8m and inflation costs of over £1m overall savings against the original 2009-10 administration budget total £4.6m (a 10 per cent saving) and £3.5m more than the Treasury target.

### **Reserves**

- 7.15 The LDA is constrained by the rules attached to its grant on the income streams that can be used to fund reserves. The Department for Business, Enterprise and Regulatory Reform requires the retention of a £2m contingency fund for 2009-10 from within the grant allocation to replace the central contingency that was previously held by the DTI for all RDAs.

## Section 8 – Consolidated budget requirement and funding

### Consolidated budget requirement

- 8.1 The budget estimates set out in Sections 2 to 7 provide for a consolidated budget requirement for 2009-10 of £3,201.6m (£3,148.6m in 2008-09).

<b>Budget requirements</b>	<b>2008-09</b>	<b>2009-10</b>
	<b>£m</b>	<b>£m</b>
Greater London Authority	136.5	133.1
Metropolitan Police Authority	2,595.0	2,640.3
London Fire and Emergency Planning Authority	405.1	416.2
Transport for London	12.0	12.0
London Development Agency	-	-
<b>Total</b>	<b>3,148.6</b>	<b>3,201.6</b>

### General government funding

- 8.2 This requirement will be met in part by government grants and non-domestic rates.

<b>Government grants</b>	<b>2008-09</b>	<b>2009-10</b>
	<b>£m</b>	<b>£m</b>
Non-Domestic Rates	995.2	936.8
Revenue Support Grant	138.5	216.2
Police Grant	1,053.3	1,083.6
General GLA Grant	48.0	48.1
<b>Total</b>	<b>2,235.0</b>	<b>2,284.7</b>

- 8.3 The difference between the consolidated budget requirement and government funding, after taking account of any surpluses on borough collection funds, represents the amount to be raised from council taxpayers by issuing precepts on the City and the London boroughs.

### Council tax for police services

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

<b>Council tax for police services</b>	<b>2008-09</b>	<b>2009-10</b>
	<b>£m</b>	<b>£m</b>
MPA budget requirement	2,595.0	2,640.3
General government funding	-1,930.0	-1,978.3
<b>Amount for police services</b>	<b>665.0</b>	<b>662.0</b>

- 8.5 This is equivalent to a band D council tax of **£224** for 2009-10 in the London boroughs (£227 in 2008-09).

## Section 8 – Consolidated budget requirement and funding

### Council tax for other services

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

<b>Council tax for other services</b>	<b>2008-09</b>	<b>2009-10</b>
	<b>£m</b>	<b>£m</b>
GLA, LFEPA and TfL budget requirements	553.6	561.3
General government funding	-305.0	-306.4
Share of borough net collection fund surplus	-5.6	-2.3
<b>Amount for other services</b>	<b>243.0</b>	<b>252.6</b>

8.7 This is equivalent to a band D council tax of **£86** for 2009-10 in the City and the London boroughs (£83 in 2008-09).

### Funding analysis by body

8.8 There are two sets of council tax calculations because the Metropolitan Police District does not include the City. 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 **Appendix G**.

### Funding of national, international and capital city activities

8.9 As the regional tier of government for the capital city the GLA provides services delivered by the Metropolitan Police Service, the London Fire and Emergency Planning Authority and Transport for London which have a national and international dimension and which contribute to London's resilience for acts of terror or other emergencies. There is specific grant support from central government in respect of these roles, but this does not cover the full cost of providing these services so that there is a contribution from local taxpayers.

8.10 As Transport for London only raises £12m from the precept there is no impact on local taxpayers from any resilience expenditure.

8.11 The estimates for the Metropolitan Police Service budget include additional expenditure for counter-terrorism in 2009-10 but this will be constrained to the increase in Government grant so will also not impact on local taxpayers. However, MPA estimates that, in total, there is a shortfall of £37m between the full cost of counter-terrorism functions and the grant provided.

8.12 The London Fire and Emergency Planning Authority budget includes no growth in expenditure for resilience in 2009-10. Expenditure on these activities is also applied to provide day-to-day fire cover and is part of the overall budget and business plans. The estimates for savings and efficiencies and use of reserves also mitigate the actual impact on the local taxpayer.

## Section 9: Capital Spending Plan

- 9.1 In accordance with the requirements of the GLA Act 1999, as amended by the Local Government Act 2003, a capital spending plan has to be approved by the Mayor covering the functional bodies, and sent to the Secretary of State (DCLG), London Assembly and the functional bodies by the end of February 2009. Although not statutorily required, the GLA will be included in the plan.
- 9.2 The plan has to be in four sections:
- Section A** – a statement of the resources each functional body will have for capital expenditure by virtue of capital grants and capital receipts.
- Section B** – a statement of the resources each functional body expects to have for capital expenditure from borrowing.
- Section C** – a statement for each functional body of total capital expenditure (including credit arrangements) that the Mayor expects the body to incur.
- Section D** – a breakdown of this total capital spending showing how much the Mayor expects the body to meet out of capital grants, capital receipts, borrowing and revenue.
- 9.3 As part of the capital spending plan, the Mayor also develops borrowing proposals under the Prudential Code, as required by the Local Government Act 2003.

### Greater London Authority

- 9.4 The capital programme reflects the medium term financial plan.

GLA draft capital plan	2009-10 £m	2010-11 £m	2011-12 £m
<b>City Hall</b>			
City Hall – lease related	-	0.2	0.1
– non-lease related	0.2	-	0.2
<b>Total City Hall</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
<b>ICT Infrastructure</b>			
PC Base Units	-	0.1	-
Monitors	-	0.1	-
Laptops	-	-	-
Printers	-	-	-
Servers/File Storage/Uninterrupted Power Supply)	-	0.1	0.1
Network Infrastructure	0.4	0.4	0.3
Telephone Infrastructure	-	-	-
MS Software Licences	-	-	-
<b>Total ICT Infrastructure</b>	<b>0.4</b>	<b>0.7</b>	<b>0.4</b>
<b>ICT Development</b>			
Development Budget and Website	0.5	0.6	0.6
E-Services	0.1	0.2	0.2
<b>Total ICT Development</b>	<b>0.6</b>	<b>0.8</b>	<b>0.8</b>

## Section 9: Capital Spending Plan

GLA draft capital plan	2009-10	2010-11	2011-12
	£m	£m	£m
<b>Capital Grant to Museum of London</b>	<b>1.6</b>	<b>1.6</b>	<b>1.6</b>
<b>Priority Parks and Street Trees Programme</b>	<b>2.6</b>	<b>2.6</b>	<b>2.1</b>
<b>Total Capital Expenditure</b>	<b>5.4</b>	<b>5.9</b>	<b>5.2</b>
<b>Funding:</b>			
Revenue – Core GLA	0.3	1.2	0.9
Revenue – Museum of London	1.6	1.6	1.6
AARA (Accommodation, Asset Replacement and Adaptation)	0.8	1.2	0.9
Reserve			
External funding	2.7	1.9	1.8
<b>Total funding</b>	<b>5.4</b>	<b>5.9</b>	<b>5.2</b>

9.5 The GLA does not undertake any borrowings so no interest/financing costs are shown in the revenue budget.

### **Metropolitan Police Authority**

9.6 The capital spending plan reflects the approved capital strategy which focuses on:

- Impact on delivery of MPS strategic objectives;
- Continuation or completion of projects where significant investment is already committed;
- Delivery of significant capital or revenue savings;
- Delivery of business benefits with particular emphasis on performance improvement.

## Section 9 – Capital spending plan

MPA draft capital plan	2009-10	2010-11	2011-12
	£m	£m	£m
<b>Provisioning Group/ Major Initiative</b>			
Property Services	63.2	30.2	51.1
Directorate of Information	79.0	47.4	53.5
Transport Services	13.8	17.0	14.7
Miscellaneous equipment	0.6	0.5	1.0
C3i Programme	2.0	2.5	-
Safer Neighbourhoods	7.2	31.5	-
<b>Total</b>	<b>165.8</b>	<b>129.1</b>	<b>120.3</b>
<b>London 2012 Olympic and Paralympic Games</b>			
Property based schemes	7.9	-	-
Technology based schemes	32.7	34.1	10.2
Transport based schemes	0.1	0.1	1.6
<b>Total</b>	<b>40.7</b>	<b>34.2</b>	<b>11.8</b>
<b>Counter Terrorism</b>			
Property based schemes	1.3	9.0	5.4
Technology based schemes	8.1	2.2	1.0
Transport based schemes	1.0	1.0	1.0
<b>Total</b>	<b>10.4</b>	<b>12.2</b>	<b>7.4</b>
<b>Grand total</b>	<b>216.9</b>	<b>175.5</b>	<b>139.5</b>
<b>Funding:</b>			
Capital receipts	20.0	20.0	40.0
Prudential Borrowing	50.0	40.0	40.0
Capital reserves	31.6	15.9	-
Capital grants and other contributions	90.6	85.8	59.1
Revenue contributions	24.7	13.8	0.4
<b>Total funding</b>	<b>216.9</b>	<b>175.5</b>	<b>139.5</b>

- 9.7 The financing costs in the Service Analysis table relate to notional payments on capital expenditure as shown in the table below:

Capital financing costs	2009-10	2010-11	2011-12
	£m	£m	£m
Minimum revenue provision and external interest	19.4	20.0	20.7
<b>Total financing costs</b>	<b>19.4</b>	<b>20.0</b>	<b>20.7</b>

### London Fire and Emergency Planning Authority

- 9.8 The Authority's capital programme has been developed to support achievement of its overall objective of making London a safer city. Overall, the projected capital expenditure at this stage for the Authority in 2009-10 amounts to £27.1m.

## Section 9 – Capital spending plan

<b>LFEPA draft capital plan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
IT projects	2.7	-	-
Control and communications project	3.3	0.6	-
Community fire safety	0.7	-	-
Procurement projects	2.2	2.9	-
New Headquarters and disposal of 8 Albert Embankment	0.3	-	-
Resilience projects	1.4	1.1	1.1
Refurbishment of fire stations	4.1	6.0	8.2
Extensions of fire stations	0.6	1.3	1.7
New/Replacement fire stations	2.6	1.6	2.3
London Safety Plan	1.2	4.4	1.6
Other property projects	3.1	2.1	-
Sustainability projects	1.5	-	-
Minor improvements programme	1.0	1.9	1.9
Others	2.4	0.5	0.1
<b>Total projects</b>	<b>27.1</b>	<b>22.4</b>	<b>16.9</b>
<b>Funding:</b>			
Capital receipts	3.0	10.0	16.9
Borrowing	19.0	8.7	-
Capital reserves	0.7	-	-
Capital grants	4.4	3.7	-
<b>Total funding</b>	<b>27.1</b>	<b>22.4</b>	<b>16.9</b>

- 9.9 The financing costs in the Service Analysis table relate to minimum revenue provision and interest payments on capital expenditure as shown in the table below.

<b>Capital financing costs</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Minimum revenue provision and external interest	11.5	11.9	11.9
<b>Total financing costs</b>	<b>11.5</b>	<b>11.9</b>	<b>11.9</b>

### Transport for London

- 9.10 TfL expects to spend £2,141m on capital projects in 2009-10, funded from government grants, revenue contributions, borrowing, third party contributions and transfers from earmarked reserves. The planned borrowing is both affordable and sustainable, overall levels of borrowing planned are well within the levels found in Europe, and debt service ratios would be within the average level for AA rated transport entities.

## Section 9 – Capital spending plan

<b>TfL draft capital plan</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
London Underground	618	683	614
Surface Transport	262	187	153
London Rail	530	207	33
Corporate	72	45	33
Metronet	848	1,181	1,044
IMSIP Savings	-8	35	44
<b>Gross Capital Expenditure</b>	<b>2,322</b>	<b>2,338</b>	<b>1,921</b>
Less over-programming	-181	-290	-100
<b>Total expenditure</b>	<b>2,141</b>	<b>2,048</b>	<b>1,821</b>
<b>Funding:</b>			
Capital receipts	152	106	24
Capital grant	100	-	-
Borrowing	1,100	300	400
Revenue contribution	789	1,642	1,397
<b>Total funding</b>	<b>2,141</b>	<b>2,048</b>	<b>1,821</b>

- 9.11 TfL's external borrowing will be peaking at £1,100m in 2009-10 from £1,067m in 2008-09. As a result of increased borrowing, the debt servicing costs are increasing.

<b>Capital financing</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Debt Servicing costs</b>			
Minimum revenue provision and external interest	166	207	227
<b>Total financing costs</b>	<b>166</b>	<b>207</b>	<b>227</b>

### London Underground

- 9.12 Capital Projects directly managed by London Underground are shown in the table below:

<b>Capital projects – London Underground</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Structures	68	70	72
Rolling Stock	27	41	41
Signals	8	2	2
Power	76	171	167
Communications	28	24	7
Stations	343	323	270
Accommodations	18	18	27
Information Technology	20	11	6
Track	4	5	7
Other	26	19	14
<b>Total Capital Expenditure</b>	<b>618</b>	<b>683</b>	<b>614</b>

## Section 9 – Capital spending plan

### Surface Transport

9.13 Capital Projects directly managed by Surface Transport are shown in the table below:

<b>Capital projects – Surface Transport</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Walking (see note)	2	2	2
Cycling (see note)	5	-	-
Road Safety	8	9	10
Bus Priority	7	6	2
Bus Stops and Shelters	3	3	4
Bus Garages	13	-	-
Bus Stations	6	3	3
Bus Operations and Support	12	3	3
Bus Performance (inc. iBus and Countdown)	21	15	19
Congestion Charging and Traffic Enforcement	13	2	-
Urban Traffic Control	8	6	3
Traffic Infrastructure	21	15	18
Real Time Operations	21	7	1
Major Route Improvements	23	10	8
Major Safety Enhancement	40	32	21
East London Transit Phase 1b	10	9	-
Greenwich Waterfront Transit Stage 1	3	3	3
Carriageway renewal	22	32	31
Street lighting renewal	11	14	14
Other	13	16	11
<b>Total Capital Expenditure</b>	<b>262</b>	<b>187</b>	<b>153</b>

**Note:** The vast majority of walking and cycling expenditure is classified as revenue expenditure by TfL, including the cycle hire scheme.

### London Rail

9.14 Capital Projects directly managed by London Rail are shown in the table below:

<b>Capital projects – London Rail</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
East London Line Extension	252	23	-
3 Car Bank – Lewisham	62	28	-
Stratford International DLR Extension	53	19	-
North London Railway Infrastructure	80	107	24
Delta Junction grade Separation	1	-	-
Infrastructure Renewal	12	10	7
3 Car North Route	2	-	-
Additional Railcars	29	10	-
West route Resilience	6	-	-
3 Car East Route	13	4	-
Other	20	6	2
<b>Total Capital Expenditure</b>	<b>530</b>	<b>207</b>	<b>33</b>

## Section 9 – Capital spending plan

### Corporate

9.15 Capital Projects directly managed by Corporate are shown in the table below:

<b>Capital projects - Corporate</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
IM Strategic Investment Programme	29	14	9
Fit-out of new accommodation	3	-	14
Oystercard improvements	2	-	-
Journey Planner	6	2	-
Oystercard upgrade to ITSO standard	26	25	6
Other	6	4	4
<b>Total Capital Expenditure</b>	<b>72</b>	<b>45</b>	<b>33</b>

### Metronet

9.16 Capital Projects directly managed by Metronet are shown in the table below:

<b>Capital projects - Metronet</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Rolling Stock and Signals	550	693	587
Stations, Lifts and Escalators	165	237	131
Track	133	115	129
Civils	9	67	108
Other	-9	69	89
<b>Total Capital Expenditure</b>	<b>848</b>	<b>1,181</b>	<b>1,044</b>

### London Development Agency

- 9.17 The capital expenditure programme continues to be dominated by the Olympic programme for the Olympic Park and Lower Lea Valley, which accounts for two-thirds of capital spending over the four years to 2011-12.
- 9.18 The other major growth areas are the youth programme, which increases from £1.9m in 2008-09 to £13.5m over the four-year period, and the energy and waste programme, which increases from £6.7m to £18.0m.
- 9.19 Programmes, which suffer reductions, include the Quality Places programme (down from £50.6m in 2008-09 to £19.8m) and the business growth programme (down from £20.8m in 2008-09 to £4.0m).
- 9.20 These reductions reflect the fact that government grant is forecast to reduce in 2009-10 and 2010-11, although the LDA is currently anticipating an increase in 2011-12.
- 9.21 The LDA draft corporate plan provides for spending of £201.4m on capital projects in 2009-10, funded from government grants, capital receipts and prudential borrowing.

## Section 9 – Capital spending plan

LDA draft capital plan	2009-10	2010-11	2011-12
	£m	£m	£m
<b>Programme Expenditure</b>			
Quality Places	22.6	17.7	19.8
Places for Businesses	17.2	15.3	11.7
Quality Public Realm and Green Space	5.5	3.6	6.2
Energy and Waste	18.0	12.7	18.0
Skills - Youth	4.6	4.6	13.5
Jobs - Finance	2.6	0.3	0.8
Business Growth	14.9	1.8	4.0
Contingency	4.0	3.0	2.0
Unallocated	-	-16.7	25.4
<b>Total programme expenditure</b>	<b>89.4</b>	<b>42.3</b>	<b>101.4</b>
<b>Olympic Expenditure</b>			
Revised Land acquisition costs	14.1	-	-
Contingency	10.7	5.0	3.7
Remediation Costs	12.0	4.7	-
Professional fees	1.5	1.0	0.5
Management	5.4	5.4	5.4
Legacy Development	10.6	10.0	10.0
LDA additional support	50.0	150.0	150.0
Gross VAT	7.7	7.7	7.7
<b>Total Olympic expenditure</b>	<b>112.0</b>	<b>183.8</b>	<b>177.3</b>
<b>Total capital expenditure</b>	<b>201.4</b>	<b>226.1</b>	<b>278.7</b>
<b>Funding for Olympics:</b>			
Grant funding	79.2	76.9	75.0
Capital receipts	5.4	32.2	12.9
Prudential borrowing (mainly from PWLB)	27.4	74.7	89.4
<b>Total</b>	<b>112.0</b>	<b>183.8</b>	<b>177.3</b>
<b>Funding for Programme Expenditure:</b>			
Government Grants	89.4	42.3	101.4
<b>Total funding</b>	<b>201.4</b>	<b>226.1</b>	<b>278.7</b>

9.22 The financing costs in the Service Analysis table relate to minimum revenue provision and interest payments on capital expenditure as shown in the table below.

Capital financing costs	2009-10	2010-11	2011-12
	£m	£m	£m
Minimum revenue provision and external interest	25.8	28.1	32.7
<b>Total financing costs</b>	<b>25.8</b>	<b>28.1</b>	<b>32.7</b>

## Section 9 – Capital spending plan

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### Borrowing

- 9.23 The above capital programmes would require new borrowing of some £1,196.4m. Under the Local Government Act 2003, it is the Mayor who determines borrowing limits for the GLA group and these decisions will be taken later on in the budget process.

<b>Borrowing</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Metropolitan Police Authority	50.0	40.0	40.0
London Fire and Emergency Planning Authority	19.0	8.7	-
Greater London Authority	-	-	-
Transport for London	1,100.0	300.0	400.0
London Development Agency	27.4	74.7	89.4
<b>Total</b>	<b>1,196.4</b>	<b>423.4</b>	<b>529.4</b>

## Appendix A: Greater London Authority: Mayor of London

**Table 1: Subjective analysis**

Subjective analysis	Budget	Forecast	Budget	Plan	Plan
	2008-09	2008-09	2009-10	2010-11	2011-12
	£m	£m	£m	£m	£m
Staff costs	36.7	35.9	32.4	33.1	34.0
Premises costs	11.3	10.8	11.0	11.1	11.4
Supplies and services	54.3	54.7	25.9	23.8	24.3
Olympic funding agreement	58.7	58.7	59.1	59.6	60.1
Capital financed by revenue and reserves	3.3	3.3	2.7	4.0	3.4
<b>Total revenue expenditure</b>	<b>164.3</b>	<b>163.4</b>	<b>131.1</b>	<b>131.6</b>	<b>133.2</b>
Income	-21.0	-21.0	-10.8	-11.0	-11.3
Interest receivable	-2.7	-3.7	-2.0	-2.1	-2.2
<b>Total Income</b>	<b>-23.7</b>	<b>-24.7</b>	<b>-12.8</b>	<b>-13.1</b>	<b>-13.5</b>
<b>Net revenue expenditure</b>	<b>140.6</b>	<b>138.7</b>	<b>118.3</b>	<b>118.5</b>	<b>119.7</b>

**Table 2: New initiatives and service improvements**

New initiatives and service improvements	2009-10	2010-11	2011-12
	£m	£m	£m
Street Trees and Priority Parks programme	0.4	1.3	0.9
Rape Crisis Centres	0.2	0.2	0.2
Increased People's Question Time programme	0.1	0.1	0.1
<b>Total new initiatives and service improvements</b>	<b>0.8</b>	<b>1.6</b>	<b>1.2</b>

## Appendix A: Greater London Authority: Mayor of London

**Table 3: Savings and efficiencies**

Savings and efficiencies	2009-10 £m	2010-11 £m	2011-12 £m
<b>Mayor's Office</b>			
Mayor's Office restructuring approved during 2008-09 – a net reduction of 17.9 posts	1.2	1.2	1.2
Reduction in previous mayoral stakeholder programmes and funding	0.8	0.8	0.8
Cessation of the Londoner (non staff cost savings)	0.6	0.6	0.6
Remove provision for inflation on programme budgets	0.2	0.2	0.2
<i>Offset by:</i>			
Unavoidable growth for 4th Plinth	-0.1	-0.1	-0.1
Unavoidable reduction in LDA income	-0.1	-0.1	-0.1
	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>
<b>Media and Marketing</b>			
Remove funding for 4.8 press posts in the Press Office	0.3	0.3	0.3
Reduction in Marketing campaign budget	0.1	0.1	0.1
Remove funding for 2 vacant posts in the Sponsorship Team	0.1	0.1	0.1
Reduction in provision for supplies and services (advertising, photos, displays, IT, etc) for the Marketing Team	0.1	0.1	0.1
Other savings	0.1	0.1	0.1
	<b>0.7</b>	<b>0.7</b>	<b>0.7</b>
<b>Policy and Partnerships</b>			
No extension to two year funding agreement of Design for London to LDA	0.4	0.4	0.4
Remove funding for 3.6 vacant posts in the Environment Team	0.2	0.2	0.2
Remove provision for inflation on programme budgets	0.2	0.2	0.2
Reduction in Environment Programme Budget	0.1	0.1	0.1
Remove funding for 2 vacant posts in Policy Support Unit	0.1	0.1	0.1
Discontinue London Schools Environment Awards	0.1	0.1	0.1
Remove funding for 2 vacant posts in the Planning Decisions Unit	0.1	0.1	0.1
Remove funding for vacant post in the London Plan Team	0.1	0.1	0.1
Reduction in London Plan programme and printing budgets	0.1	0.1	0.1
	<b>1.4</b>	<b>1.4</b>	<b>1.4</b>
<b>Finance and Performance</b>			
Reduction in insurance premiums	0.2	0.2	0.2
Reduction in costs of contracts for managing Trafalgar and Parliament Square	0.1	0.1	0.1
Non renewal of domestic violence contract – bring in-house	0.1	0.1	0.1
Remove funding for vacant post in the Strategic Finance team	0.1	0.1	0.1
Other savings	0.2	0.2	0.2
<i>Offset by:</i>			
Unavoidable reduction in LDA income	-0.1	-0.1	-0.1
	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>

## Appendix A: Greater London Authority: Mayor of London

Savings and efficiencies	2009-10	2010-11	2011-12
	£m	£m	£m
<b>Corporate Services</b>			
Reduction in City Hall business rate liability	0.2	0.2	0.2
Increased income target from commercial lettings of London's Living Room and other space in City Hall	0.2	0.2	0.2
Reduction in provision for external legal fees	0.2	0.2	0.2
Remove over provision in ICT salary budget	0.1	0.1	0.1
Remove funding for 3 vacant security posts and 1 vacant reception post, and reduce public access to City Hall to 8.30 – 17.30	0.1	0.1	0.1
Reduction in provision for recruitment advertising and relating printing budget	0.1	0.1	0.1
Remove over provision in LASS salary budget	0.1	0.1	0.1
Reduction in Director's consultancy/corporate initiatives budget	0.1	0.1	0.1
Reduction in cost of phone contract	0.1	0.1	0.1
Other savings	0.2	0.2	0.2
<i>Offset by:</i>			
Unavoidable growth on IT equipment for new web site	-0.1	-0.1	-0.1
Unavoidable increase in cost of energy	-0.2	-0.2	-0.2
	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
<b>Capital programme</b>			
Reduction in revenue funding for capital programme	<b>1.4</b>	<b>0.2</b>	<b>0.2</b>
Savings to be allocated	<b>1.3</b>	<b>3.7</b>	<b>4.0</b>
<b>Total savings and efficiencies</b>	<b>9.1</b>	<b>10.3</b>	<b>10.6</b>

## Appendix B: Metropolitan Police Authority

**Table 1: Subjective analysis**

Subjective analysis	Budget	Budget	Plan	Plan
	2008-09	2009-10	2010-11	2011-12
	£m	£m	£m	£m
Police Officer Pay	1,758.7	1810.2	1,839.4	1,898.4
Police staff (civil staff) pay	584.2	597.0	622.4	631.1
Police staff (PCSO) pay	138.8	150.9	151.2	151.2
Police staff (traffic warden) pay	11.3	11.3	11.3	11.3
	<b>2,493.0</b>	<b>2,569.4</b>	<b>2,624.3</b>	<b>2,692.0</b>
Police officer overtime	137.5	133.4	133.6	133.5
Police staff (civil staff) overtime	32.1	31.4	31.3	31.3
Police staff (PCSO) overtime	1.2	1.1	1.1	1.1
Police staff (traffic warden) overtime	0.6	0.5	0.5	0.5
	<b>171.4</b>	<b>166.4</b>	<b>166.5</b>	<b>166.4</b>
<b>Total pay and overtime</b>	<b>2,664.4</b>	<b>2,735.8</b>	<b>2,790.8</b>	<b>2,858.4</b>
Employee related	35.9	46.3	45.0	45.0
Premises costs	233.1	242.9	255.0	260.2
Transport costs	67.0	64.8	65.4	65.4
Supplies and services	455.1	464.8	497.6	525.3
Savings to be agreed	-	-	-57.5	-124.5
Capital financing costs	21.6	19.4	20.0	20.7
<b>Total running expenses</b>	<b>812.7</b>	<b>838.2</b>	<b>825.5</b>	<b>792.1</b>
Discretionary pension costs	29.1	29.1	29.1	29.1
<b>Total revenue expenditure</b>	<b>3506.2</b>	<b>3,603.1</b>	<b>3,645.4</b>	<b>3,679.6</b>
Income	-349.4	-398.2	-400.1	-400.8
Specific grants	-556.5	-564.6	-572.0	-572.0
<b>Total income</b>	<b>-905.9</b>	<b>-962.8</b>	<b>-972.1</b>	<b>-972.8</b>
<b>Net revenue expenditure</b>	<b>2,600.3</b>	<b>2,640.3</b>	<b>2,673.3</b>	<b>2,706.8</b>

## Appendix B: Metropolitan Police Authority

**Table 2: Change in existing services and programmes**

(See Glossary at the end of this appendix for an explanation of abbreviations)

<b>Committed changes</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Operational Services</b>			
TP – Operation Tyrol	8.2	8.2	8.2
TP – Station reception officers	-0.5	-1.0	-1.0
TP – Improvements to Criminal Justice and Volume Crime processes	-1.8	-1.8	-1.8
TP – Operation Herald	-3.2	-12.7	-12.7
TP – Review of the C3i costs	-0.9	-1.8	-1.8
TP – Operation Herald, rephasing of implementation	4.1	16.0	13.1
TP – Borough Partnerships, revisions in costs	-0.6	-0.6	-0.6
SO – Reduction in overtime and supplies and services	-0.9	-0.9	-0.9
DoI – Airwave rollout	-4.2	-4.2	-4.2
	<b>0.2</b>	<b>1.2</b>	<b>-1.5</b>
<b>Operational Support</b>			
TP – Interpreters	1.0	1.0	1.0
TP – Integrated Borough Operations rollout	15.5	15.5	15.5
TP – Reduction in management structures on Borough and in TPHQ	-1.3	-1.3	-1.3
TP – Business Development and Support Portfolio reductions	-1.0	3.0	3.0
TP – Planned savings on the C3i project	-1.6	-	-
TP/SCD/CO – Restructuring of management functions	-0.7	-0.9	-0.9
SCD – Forensics	3.6	3.6	3.6
SCD – Forensic Medical Examiners	1.5	1.5	1.5
SCD – Police National Computer (PNC) subscription	0.8	0.8	0.8
CO – Firearms training capacity	10.0	10.0	10.0
CO – Firearms training capacity, rephasing of delivery	-10.0	-8.5	-
DoI – NSPIC custody case preparation	1.9	3.7	3.7
	<b>19.7</b>	<b>27.0</b>	<b>34.1</b>
<b>Support Services</b>			
DoR – Rental-related contractual liabilities	4.3	5.3	5.3
DoR – Estate modernisation, delays in implementation	5.0	10.0	10.0
DoR – Facilities Management	3.1	6.2	6.2
DoR – London’s living wage	1.0	1.0	1.0
DoR – Reactive repairs	-1.5	-3.0	-3.0
DoR – Restructuring, use of external consultants and procurement	-1.2	-1.5	-1.5
DoR – Property repairs and maintenance	-0.5	-0.9	-0.9
DoI – Support costs of IT projects into service	6.0	12.1	12.1
DoI – Eagle: secure corporate network	4.0	5.0	5.0
DoI – Evidential and covert technology services	1.0	2.0	2.0
DoI – Reduced ICT costs through negotiation	-2.1	-2.5	-2.5
DoI – Temps/External Staff/Supplies and Services	-0.5	-0.8	-0.8
DoI – Rationalising of spans of control, use of temps and non-pay	-0.5	-0.6	-0.6
DoI – Reduction in ICT infrastructure/support costs	-1.3	-1.3	-1.3

## Appendix B: Metropolitan Police Authority

<b>Committed changes</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Dol – Command and Control support contract replacement	-0.3	-0.7	-1.4
DHR – Transforming HR, rephasing of project	0.8	-8.1	-10.0
DHR – Transforming HR	-9.0	-11.0	-11.0
DHR – Rationalising of training courses, etc.	-2.6	-3.0	-3.0
DCP – Review/restructuring of posts	-0.9	-1.0	-1.0
	<b>4.8</b>	<b>8.6</b>	<b>7.4</b>
<b>Income Generation</b>			
TfL – end of agreement re TP/CO costs	4.0	4.0	4.0
Reassessment of interest receipts	2.8	2.8	2.8
Transport for London funding	-1.8	-3.5	-3.5
Operation Tyrol	-3.2	-3.2	-1.6
	<b>1.8</b>	<b>0.1</b>	<b>1.7</b>
<b>Corporate Provisions</b>			
London pay lead	2.0	2.0	2.0
Move to 3-year officer deployment plan	2.8	6.0	9.0
Progressive reduction in housing-related allowances	-4.9	-9.9	-9.9
Reduction in compensation budgets	-0.3	-0.3	-0.3
Minimum Revenue Provision – capital impact on revenue	-2.2	-1.6	-0.9
NI Employer Contributions	-5.0	-5.0	-5.0
Other changes – to be allocated	8.1	7.4	-
	<b>0.5</b>	<b>-1.4</b>	<b>-5.1</b>
<b>Total net committed change</b>	<b>27.0</b>	<b>35.5</b>	<b>36.6</b>

## Appendix B: Metropolitan Police Authority

**Table 3: New initiatives**

<b>New Initiatives</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Operational Services</b>			
TP - Special Constables expansion to 10,000 by March 2012	5.9	6.2	5.6
Specific Funding	-5.9	-6.2	-5.6
TP - Continuing costs associated with Diamond Districts	-	1.3	2.6
TP - Every child matters	2.5	2.5	2.5
TP - Borough Partnership expansion	1.0	2.0	2.0
SCD - Assisting offenders suite	0.4	0.4	0.4
CO - Overtime (Firearms/DPG)	0.6	0.6	0.6
	<b>4.5</b>	<b>6.8</b>	<b>8.1</b>
<b>Operational Support</b>			
TP - CCC/IBO improvement and operational resilience	2.9	2.9	2.9
TP - Front counter refurbishment	1.5	1.5	1.5
TP - Effective use of CCTV	0.5	0.5	0.5
TP - Interpreters	-	0.2	0.6
SCD - Vetting Support	0.7	0.7	0.7
SCD - Intercept Group	3.3	3.3	3.3
SCD - Telephone Investigation Unit	1.2	1.7	1.7
SCD - Technical Support Unit	1.0	-	-
SCD - Key Management Faculty/Central Authorities Bureau	2.0	2.0	2.0
SCD - Prison Investigation Unit and International Unit	1.0	1.0	1.0
SCD - Operation Delta	0.9	0.9	0.9
DHR - Dangerous Dogs	1.2	1.2	1.2
	<b>16.2</b>	<b>15.9</b>	<b>16.3</b>
<b>Support Services</b>			
Dol - Radio services	0.7	0.7	0.7
Dol - Microsoft Enterprise agreement	0.6	0.6	2.0
Dol - Evidential and covert services	0.5	1.0	2.5
Dol - Improving police information	2.8	3.1	3.1
DHR - Vehicle recovery	0.8	0.8	0.8
	<b>5.4</b>	<b>6.2</b>	<b>9.1</b>
<b>Income Generation</b>			
DHR - BAA catering costs	0.4	0.4	0.4
CO - Palace of Westminster	0.3	0.3	0.3
CO - TOCU overheads	0.8	0.8	0.8
	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
<b>Corporate Provisions</b>			
DHR - Ongoing costs of early retirements	0.6	0.6	0.6
Interest/Minimum Revenue Provision	2.0	1.2	0.8
	<b>2.6</b>	<b>1.8</b>	<b>1.4</b>
<b>Total new initiatives</b>	<b>30.2</b>	<b>32.2</b>	<b>36.4</b>

## Appendix B: Metropolitan Police Authority

**Table 4: Savings and efficiencies**

Savings and efficiencies	2009-10 £m	2010-11 £m	2011-12 £m
<b>Operational Services</b>			
TP – Reduction in Financial Investigators on Borough	1.5	1.5	1.5
TP – PCSO turnover	1.0	1.0	1.0
TP – C3i Development Team	0.5	0.5	0.5
TP – Improved Criminal Justice Volume Crime process (virtual courts)	-	-	1.3
TP – Improved Criminal Justice Volume Crime process (IPT delay)	-1.1	0.7	1.5
TP – Reduced level of funding for POCA posts than planned	-1.0	-1.0	-1.0
TP/CO – Overtime – events management systems upgrade	-	0.5	0.6
SCD – Restructuring/rationalisation of Crime Review and Human Trafficking Units	2.0	2.9	2.9
SCD – Extradition Unit – reduction in European arrest warrants	0.3	0.3	0.3
CO – Reduction in Aid Fund from improved event management and tasking	1.2	1.2	1.2
	<b>4.4</b>	<b>7.6</b>	<b>9.8</b>
<b>Operational Support</b>			
TP – 6% reduction in borough devolved budgets	6.3	6.3	6.3
TP – Restructure/rationalisation of TP units	2.9	6.9	6.9
TP – Loss of income to be contained within base budget	2.1	2.1	2.1
TP – Intelligence, non-achievement of savings and rationalisation	-1.8	-1.8	-1.8
SCD – Forensic – procurement and business process improvement	10.6	10.6	10.6
SCD – Restructure of Business Group Support Units	1.7	4.0	4.0
CO – Civilianisation of weapon issuing officers	0.2	0.2	0.2
Reduction in furniture specification – devolved budgets	0.4	0.4	0.4
	<b>22.4</b>	<b>28.7</b>	<b>28.7</b>
<b>Support Services</b>			
DoR – Change in furniture specification	0.1	0.1	0.1
DoR – Rents reviews and changes	5.7	3.0	-2.2
DoR – Restructuring/reorganisation following review	3.0	3.1	3.2
DoR – Property repairs and maintenance	2.0	2.2	2.2
DoI – Projects into service	6.0	-	-
DoI – Reduced levels of service for ICT, third party costs, etc.	4.9	7.0	7.5
DoI – Reductions in ICT infrastructure and support costs	1.6	2.6	2.6
DHR – Reorganisation following review and savings on non-pay	4.1	6.4	6.8
DCP – Reductions in various units following management review	1.6	1.8	1.8
	<b>29.0</b>	<b>26.2</b>	<b>22.0</b>
<b>Income Generation</b>			
TP – PCSO partnerships	10.0	10.0	10.0
TP – Neighbourhood Portfolio funding	0.5	0.5	0.5
CO – Sporting events and other income	5.4	6.4	7.4
	<b>15.9</b>	<b>16.9</b>	<b>17.9</b>

## Appendix B: Metropolitan Police Authority

<b>Savings and efficiencies</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Corporate Provisions</b>			
DoR – ATOC tax liability	3.0	2.3	1.6
DoR – London living wage	1.8	1.7	1.7
DCP – Reduction in compensation	0.4	0.8	1.2
Police staff review	5.0	5.0	5.0
Review of centrally-held provision	7.1	7.1	7.1
Specific grant review	3.3	3.3	3.3
	<b>20.6</b>	<b>20.2</b>	<b>19.9</b>
Savings to be allocated	-	<b>57.5</b>	<b>124.5</b>
<b>Total savings and efficiencies</b>	<b>92.3</b>	<b>157.1</b>	<b>222.8</b>

**Table 5: MPS Youth Strategy – Territorial Police Funding**

<b>MPS Youth Strategy</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>
	<b>One-off</b>	<b>One-off</b>	<b>Ongoing</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
One-off expenditure	2.1	3.8	
Volunteer Police Cadets	-	0.4	0.5
Be Safe/Kickz	0.1	-	1.7
Public protection desk	-	-	2.6
Safer Schools Partnership PCSOs	-	-	3.6
Safer Schools Partnership PCs	-	-	10.9
<b>Total</b>	<b>2.2</b>	<b>4.2</b>	<b>19.3</b>

### Glossary

CO	Central Operations
SCD	Specialist Crime Directorate
SO	Specialist Operations
DCP	Deputy Commissioner's Portfolio
DHR	Directorate of Human Resources
DoI	Directorate of Information
DoR	Directorate of Resources
TP	Territorial Policing

## Appendix C: London Fire and Emergency Planning Authority

**Table 1: Subjective analysis**

Subjective analysis	Budget	Budget	Plan	Plan
	2008-09	2009-10	2010-11	2011-12
	£m	£m	£m	£m
Operational staff	241.6	246.0	254.5	262.2
Other staff	57.1	58.6	60.3	61.9
Employee related	9.0	9.6	10.5	9.5
Pensions	58.4	60.2	61.8	63.3
	<b>366.1</b>	<b>374.4</b>	<b>387.1</b>	<b>396.9</b>
Premises	27.4	30.8	34.3	39.2
Transport	25.0	24.8	25.2	25.6
Supplies and services	19.0	20.2	21.2	23.2
Third party payments	0.4	0.5	0.5	0.5
New initiatives	2.6	1.2	1.5	1.5
Savings to be allocated	-		-12.1	-22.8
	<b>74.4</b>	<b>77.5</b>	<b>70.6</b>	<b>67.2</b>
Capital financing costs	11.0	11.5	11.9	11.9
<b>Total revenue expenditure</b>	<b>451.5</b>	<b>463.4</b>	<b>469.6</b>	<b>476.0</b>
<b>Total income</b>	<b>-29.2</b>	<b>-31.6</b>	<b>-32.3</b>	<b>-33.3</b>
<b>Net revenue expenditure</b>	<b>422.3</b>	<b>431.8</b>	<b>437.3</b>	<b>442.7</b>

**Table 2: New initiatives**

New initiatives	2009-10	2010-11	2011-12
	£m	£m	£m
Domestic smoke alarms (with 10-year) batteries for stations	0.4	0.4	0.4
Property PFI to deliver new Fire Stations	0.6	0.9	0.9
E-hr development	0.2	0.2	0.2
<b>Total new initiatives</b>	<b>1.2</b>	<b>1.5</b>	<b>1.5</b>

**Table 3: Savings and efficiencies**

Savings and efficiencies	2009-10	2010-11	2011-12
	£m	£m	£m
Procurement efficiencies	0.7	1.0	1.1
Cost avoidance	0.4	0.5	0.5
Reducing staff input/headcount reduction	4.2	4.0	4.1
<b>Other means:</b>			
- Metropolitan Fire Brigade Act income	2.0	2.6	3.7
- Rental income	0.2	0.2	0.2
- Fire House	0.7	0.7	0.7
Savings to be allocated	-	12.1	22.8
<b>Total savings and efficiencies</b>	<b>8.2</b>	<b>21.1</b>	<b>33.1</b>

## Appendix D: Transport for London

**Table 1: Subjective analysis**

<b>Subjective analysis</b>	<b>Forecast 2008-09 £m</b>	<b>Budget 2009-10 £m</b>	<b>Plan 2010-11 £m</b>	<b>Plan 2011-12 £m</b>
<b>Income</b>				
Fares revenue	-2,839	-3,048	-3,237	-3,447
Congestion charging	-186	-190	-227	-228
Enforcement income	-185	-195	-156	-153
PCO and VCS fees	-33	-33	-33	-34
Advertising income	-79	-89	-91	-94
Rental income	-56	-63	-64	-66
Other income	-51	-51	-66	-51
	<b>-3,429</b>	<b>-3,669</b>	<b>-3,874</b>	<b>-4,073</b>
<b>Operating expenditure</b>				
Employee expenses	1,322	1,335	1,333	1,383
Premises	176	183	176	179
PPP Payments	626	666	957	950
PFI Payments	311	341	389	285
Bus Contact Payments	1,579	1,692	1,777	1,856
Franchise Payments	180	213	221	236
CCS and Other Road Contracted Services	102	74	43	42
Asset Maintenance and Local Authority Payments	327	292	301	299
Professional and Consultancy fees	107	103	81	74
Engineering Project Management and Consultancy	85	96	75	75
Ticket Commissions	37	51	61	67
Metronet	511	571	580	557
Customer Information	60	55	56	57
National Rail Payments	8	9	9	9
Insurance	34	34	39	41
Information and Communication Technology	101	101	104	103
Traction current	68	76	104	109
Bad debt provision	77	93	71	70
Other expenses	-20	-45	-61	14
	<b>5,692</b>	<b>5,940</b>	<b>6,318</b>	<b>6,406</b>
<b>Net Operating Expenditure</b>	<b>2,263</b>	<b>2,271</b>	<b>2,444</b>	<b>2,333</b>
<b>Net Capital Expenditure</b>				
Capital Expenditure	1,402	1,373	1,028	797
Metronet Capital Expenditure	652	768	1,021	1,024
Capital Receipts	-21	-45	-38	-41
Group Items	91	239	191	59
Third Party Contribution	-167	-152	-106	-24
	<b>1,957</b>	<b>2,183</b>	<b>2,096</b>	<b>1,815</b>
<b>Net service expenditure</b>	<b>4,220</b>	<b>4,454</b>	<b>4,540</b>	<b>4,148</b>

## Appendix D: Transport for London

**Table 2: New initiatives**

<b>New initiatives</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>London Underground</b>			
Enhancement of rolling stock	3.0	-	-
Signal modifications and training	7.0	-	-
Power improvements	5.8	1.7	-
CCTV and radio network improvements	4.5	-	-
Improvement to joint Underground/Overground stations	11.2	-	-
Notting Hill modernisation	5.7	-	-
Station security and customer information	6.2	-	2.6
Accommodation strategies	3.3	2.3	13.5
Information and operation technology	11.3	-	-
Staff Communication improvements	4.4	-	-
Olympic Games LU costs	-	-	3.8
Enhance the experience of Olympic Games tourists	-	4.4	3.8
<b>Surface Transport</b>			
Bus network improvements	6.7	6.0	6.7
Additional routes by East Thames Buses	1.2	-	-
Woolwich Ferry Enhancements and safety work to the Festival pier	0.7	1.0	-
Congestion charging reform	7.6	-	-
Cycle Hire scheme	4.9	35.9	-
Other	0.9	-2.5	-0.8
<b>Total new initiatives</b>	<b>84.4</b>	<b>48.8</b>	<b>29.6</b>

## Appendix D: Transport for London

**Table 3: Service Increases**

<b>Service increases</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>London Underground</b>			
LU ticketing and enhanced station operation	8.3	7.3	0.6
Timetable enhancements and line upgrades	7.3	11.7	3.2
Performance improvement on Jubilee, Northern and Piccadilly lines	18.3	-	-
<b>Surface Transport</b>			
Bus Network improvements, including express orbital bus route and live CCTV bus trial	15.4	4.7	0.1
Introduction of 200 hybrid buses and increase in Euro IV buses	1.4	1.2	
Bus garages development	0.7		
Improved driver facilities on buses	-	3.0	4.3
Increased Transport Policing (440 PCSOs, 50BTP on National Rail and Cab Enforcement officers)	23.7	-	-
Increase in Marshalled taxi ranks and private hire inspections	1.0		
LEZ Public information	0.8	2.3	-
East London Transit :Ilford-Barking-Thames View Estate Corridor	4.2		
Greenwich Waterfront Transit: additional bus lanes and bus stops	9.3	0.1	1.0
Door to door service development	1.3	1.2	-
Olympic Road network Improvement	0.3	0.9	4.1
<b>London Rail</b>			
Additional British Transport Police	-	2.0	1.7
Railway growth	4.1	-1.3	0.8
<b>Corporate Directorates</b>			
Increased Oyster usage and contract restructure	29.2	57.2	-
Information Management Strategic Investment Programme	2.2	4.7	
Transport network modelling studies	3.5		
Thames Gateway Review	0.4	0.1	9.9
Additional Climate Change Initiatives	2.5		
Other	-	7.0	3.9
<b>Total increases in service levels</b>	<b>133.9</b>	<b>102.1</b>	<b>29.6</b>

## Appendix D: Transport for London

**Table 4: Savings and efficiencies**

Savings and efficiencies expected in the Plan period are as follows:

Efficiency targets	Budget	Plan	Plan
	2009-10	2010-11	2011-12
	£m	£m	£m
Savings from Cost Review	37	179	246
Savings within core business plans	36	53	64
Total expenditure	-85	-117	-16
<b>Total Net Annual Efficiencies</b>	<b>-13</b>	<b>114</b>	<b>294</b>

Key areas where savings have been identified include:

- Review of the organisational structure with the aim of reducing duplication across TfL;
- Reducing overall levels of cost for Business Support (HR, Procurement, Finance, etc.), Governance, Marketing and Strategy and Policy functions;
- Opportunities for better managing external spend and ensuring value for money procurement (commercial arrangements, contract procurement, use of temporary staff and consultancy);
- Building on specific opportunities identified within modal areas.

The proportion of the TfL budget that can be reduced in the short term is therefore limited. An estimate of TfL's reducible costs is shown below:

	2009-10	2010-11	2011-12
	£m	£m	£m
Reducible Costs	2,053	1,952	1,980
Gross Savings	73	232	310
<b>Percentage</b>	<b>3.5%</b>	<b>11.8%</b>	<b>15.6%</b>

A considerable proportion of TfL's expenditure is committed through PPP, PFI and long-term contracts. For example, bus operating contracts are for 5-years, the PPP is the subject of a 30-year contract and the DLR franchise is let on a 7-year contract. These items are excluded from reducible expenditure.

## Appendix D: Transport for London

**Table 4: Application of net congestion charging revenue**

It is anticipated that net revenue of £148m will be generated from the congestion charge in 2009-10. An indicative attribution on how this revenue will be applied in line with the Congestion Charging scheme order is shown below.

<b>Congestion charging</b>	<b>£m</b>
<b>Bus network improvements:</b>	118
Continued enhancement of London's bus infrastructure. Improvements will be made to bus stations to provide accessibility and space, including Golders Green and Lewisham. A programme to renew life expired bus shelters with a new shelter design will commence this year. The iBus project roll out will be completed in 2009 and will provide a new bus radio and communication system that will give passengers better information across the whole bus fleet. New Countdown signs will; start to be introduced giving passengers more accurate information at existing stops and at a further 2,000 new stops. Hybrid vehicles will start to be introduced to the bus network fleet. Hydrogen vehicle trials will also be implemented. A range of transport policing activities to continue to improve safety and security for bus passengers will continue to be developed.	
<b>Borough plans:</b>	9
Funds will be allocated to London Boroughs for local transport improvements consistent with ensuring improvements made to the TLRN transition successfully onto Borough roads via junctions, footpaths and roadways.	
<b>Roads and bridges:</b>	12
TfL to continue to support a programme for improving the quality of street conditions and bridges, including reconstructing and resurfacing carriageways and footways, upgrading and strengthening structures. Road maintenance and renewal will continue, and bridge and tunnel safety schemes at several locations will be developed.	
<b>Road Safety:</b>	4
Investment will continue on road safety measures on TfL roads and on borough roads via LIP funding, in conjunction with measures adopted by the police and boroughs. Measures to reduce road casualties include: engineering schemes at road accident hotspots; installing safety cameras at appropriate sites; and road safety campaigns.	
<b>Walking and Cycling</b>	5
TfL will continue a programme of improvements for pedestrians, both on its own roads and on borough roads. Investments will include building new and improved pedestrian crossings, upgrading existing ones and widening footpaths to encourage walking. Investments in cycling initiatives will continue, designed to create and sustain an environment that will enhance the attractiveness of cycling as a transport option. To generate interest in cycling TfL is supporting the development of new cycling initiatives, developing a new Cycle Hire scheme and looking to support additional development as part of a healthier environment for visitors and residents of London. Initiatives are intended to broaden the range of people who choose to cycle in London and achieve an 80 per cent increase in the number of trips by 2010.	
<b>Congestion charge net revenue</b>	<b>148</b>

## Appendix E: 2012 Games and legacy

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### Greater London Authority

The GLA has committed to raise up to £625 million from London council taxpayers as a contribution to a public sector funding package for the 2012 Olympic Games and Paralympic Games. The GLA budget includes the estimated sum of £59.1 million to be raised in 2009-10, increasing by 0.75 per cent per year in 2010-11 and 2011-12.

The present forecast, based on a continuing marginal increase in the council tax base is that £625 million would be raised by a Band D amount of £20 for 10 years and approximately £9 in year 11.

In addition the GLA plans to spend an estimated £0.6 million a year on staff and programmes to ensure that, in preparing for the Games, the Mayor's strategies and priorities are delivered to create lasting benefits for communities and businesses both in east London and right across the capital. The in-house unit also assists the Mayor in meeting his obligations under the Host City contract.

### Metropolitan Police Authority

Estimated total Metropolitan Police Service costs on Olympic-related security between 2009-10 and 2012-13 are £357 million with revenue costs amounting to £265 million and capital costs of £103 million. These figures include 'optimism bias' costs, a financial uplift required by HM Treasury to take account of risk and the maturity of projects.

It is expected that the Home Office will provide full funding to cover the expenditure. However, neither the expenditure nor the income has been included in the detailed estimates other than the costs of and grants approved for the Olympic Security Directorate of £7 million. Once Ministers agree the Costed Security Plan individual projects will draw down funds via detailed business cases and the implications will be built into the budget.

The MPS is anticipating expenditure in approximately 25 of the projects within the Olympic Security Programme. Significant areas of cost include:

- A dedicated programme team;
- Officer, staff and logistics costs associated with policing the Games in 2012;
- Training to address estimated skills gaps;
- Developing a bespoke Olympic Intelligence Centre;
- Enhancements to Airwave and existing Command and Control, CCTV and Automated Number Plate Recognition infrastructure;
- Developing certain specialist capability;
- Developing an International Liaison Unit;
- A dedicated Olympic Site Support Unit.

## Appendix E: 2012 Games and legacy

Indicative expenditure (subject to change) is as follows:

<b>Revenue Costs</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Staff cost	16.8	21.0	32.3	27.0	97.1
Training	5.6	5.6	5.6	5.6	22.2
Other	3.2	3.3	3.4	54.8	64.8
Premises	0.1	4.3	8.5	31.4	44.3
Transport costs	0.1	0.1	0.1	11.8	12.1
Supplies and services	3.5	3.6	6.0	11.0	24.2
<b>Total</b>	<b>29.3</b>	<b>37.9</b>	<b>55.9</b>	<b>141.6</b>	<b>264.7</b>

  

<b>Capital Costs</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	
Buildings	7.9	-	-	-	7.9
IT	32.7	34.1	10.2	3.3	80.3
Vehicles/Transport	0.1	0.1	1.6	13.2	15.0
<b>Total</b>	<b>40.7</b>	<b>34.2</b>	<b>11.8</b>	<b>16.5</b>	<b>103.2</b>

### London Fire and Emergency Planning Authority

The London Fire Brigade has a vital role in ensuring they deliver a safe and secure Olympic and Paralympic Games in 2012. A dedicated project team has been set up with funding from the Department for Communities and Local Government (£0.6m in 2008-09). They have submitted a business case for future years and are still negotiating the overall level of grant in 2009-10 and 2010-11.

### Transport for London

Transport schemes for the 2012 London Olympics are being designed to leave a lasting legacy, combining existing projects near the venues with specific additional improvements.

The schemes are split into two parts:

- Schemes which already formed part of TfL's 5 year Investment Programme and would be delivered in time for the Games;
- Additional Olympic specific schemes funded wholly or partly by the ODA and LOCOG.

## Appendix E: 2012 Games and legacy

<b>Pre-existing TfL-funded Schemes</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
East London Line extension	342.2	258.3	23.1	-
Extensions/improvements in capacity on DLR	172.3	80.4	27.8	-
Piccadilly line extension to Heathrow Terminal 5	1.4	3.2	7.9	5.6
Improvement to the A13	12.0	-	-	-
East London Transit	6.2	12.5	-	-
Greenwich Waterfront Transit	4.8	12.5	12.6	13.9
Olympic route instrumentation	6.0	1.7	1.4	-
<b>Total</b>	<b>544.9</b>	<b>368.6</b>	<b>72.8</b>	<b>19.5</b>

<b>Additional ODA/LOCOG-funded Schemes</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
NLR signalling and infrastructure works (ODA Contribution £107m)	17.3	80.2	107.3	24.0
Conversion of North London Line to DLR operation, 3 new stations, extension to Stratford International, and improvements in DLR capacity and resilience (ODA contribution £78m)	62.7	101.6	32.5	0.1
Enhancement of London Cycle network to provide cycling opportunity for spectators and workforce	1.2	5.3	1.1	-
Enhancement of walking routes in vicinity of London Olympic Park and venues	0.4	1.7	0.4	-
Olympic transport control centre (LOCOG scheme)	1.5	1.7	5.5	0.6
LU: upgrade of West Ham station, station operations rooms at key interchanges, and improved resilience on Central Line	-	4.3	2.5	-
Olympic Route Network junctions and carriageways	0.7	0.6	1.4	5.5
<b>Total</b>	<b>83.9</b>	<b>195.4</b>	<b>150.7</b>	<b>30.2</b>

### London Development Agency

The LDA is acquiring and remediating the land for the Olympic Park and providing up to £550 million as part of the updated public sector funding package for the Games.

	<b>Prior years</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Land assembly and remediation	792.1	163.3	62.0	33.8	27.3
Public sector funding package contribution	-	50.0	50.0	150.0	150.0
<b>Total</b>	<b>792.1</b>	<b>213.3</b>	<b>112.0</b>	<b>183.8</b>	<b>177.3</b>

Over the period to 2011-12, £716 million of the cost of acquiring and remediating the land is to be funded by prudential borrowing and from asset disposals. The balance is funded by core Government grant.

## **Appendix E: 2012 Games and legacy**

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The LDA is also playing an integral role in realising the economic benefits of the Games for London both in the run up to 2012 and beyond, with skills programmes for Olympic skills and sport participation established, along with jobs programmes covering Olympic business benefits and Olympics culture.

## Appendix F: Savings and efficiencies

### Savings and Efficiencies

	2009-10	2010-11	2011-12	Total
	£m	£m	£m	£m
Greater London Authority: Mayor of London	9.1	10.4	10.6	30.1
Greater London Authority: London Assembly	0.2	0.2	0.2	0.6
Metropolitan Police Authority	92.3	157.1	222.8	472.2
London Fire and Emergency Planning Authority	8.2	21.1	33.1	62.4
Transport for London	-13.0	114.0	294.0	395.0
London Development Agency	7.6	7.1	7.1	21.8
<b>Total</b>	<b>104.4</b>	<b>309.9</b>	<b>567.8</b>	<b>982.1</b>

The savings shown in the table above are cumulative, using the 2008-09 budget as the base. The figures include new savings (in addition to those already identified) to be agreed in each year in order to deliver these budget plans, as follows:

2009-10	£1.3m	(1.3 per cent of the total)
2010-11	£73.3m	(23.7 per cent of the total)
2011-12	£151.3m	(26.7 per cent of the total)

## Appendix G: Protecting the Environment

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### Purpose

The Mayor's environment programme for the GLA Group aims to:

- Support his pledge to cut carbon emissions by 60 per cent by 2025;
- Create a step change in turning London's waste into an economic resource;
- Make London a greener and more pleasant city.

### Key commitments

The Mayor's budget for 2009-10 will be the first full year of his environment programme for the GLA Group in this Mayoral term. The proposals reflect the Mayor's overall budget commitment of over £100m on environment and climate change programmes over his four year term. The programmes will deliver genuinely effective, value for money and high quality initiatives. A few examples of key elements of this commitment are:

- The LDA's decentralised energy budget will be approximately £7m next financial year. This will help to deliver the additional CHP capacity the city needs;
- £24m of funding from the LDA over the next three years to support the work of the London Waste and Recycling Board in bringing about the additional waste infrastructure London requires;
- £10m of funding will be diverted from the Londoner publication to the parks and trees programme over the course of this Mayoral term which will make a significant difference to the local environment in this city;
- Major new cycling initiatives from TfL on cycle hire, highways and hubs – the exact phasing and costing of the schemes are still being finalised;
- An increase in the cleaner buses budget from £8m this year to £9m next financial year;
- £7m for the TfL Climate Change Fund next financial year;
- An increase in the Metropolitan Police budget allocated to climate change and carbon reduction from £3m to £5m next financial year.

If the full range of environmental programme budgets across the GLA group for 2009-10 are counted, for example including TfL spend on walking and smarter travel planning, they are expected to total just over £300m – the exact figure will depend on the phasing and costing of the new TfL cycle initiatives referred to above.

More detailed plans and a full work programme will be set out in the Mayor's forthcoming Direction of Travel statement for the environment and through the LDA's business planning process over the next three months.

### Future plans

Future plans include:

- Maximising the benefits from financial contributions made available by third parties, including the EU Jessica programme - hence a greater overall level of funding is expected to be made available;
- Announcing additional programmes – examples include retrofitting of homes and catalysing electric vehicles.

## Appendix H: Spending and financing summary

### Budget requirement

	Gross expenditure £m	Specific grants £m	Other income £m	Net expenditure £m	Reserves £m	Budget requirement £m
<b>Metropolitan Police Authority</b>	<b>3,603.1</b>	<b>-564.6</b>	<b>-398.2</b>	<b>2,640.3</b>	<b>0.0</b>	<b>2,640.3</b>
Greater London Authority	139.9	-	-12.8	127.1	6.0	133.1
London Fire and Emergency Planning Authority	463.4	-10.5	-21.1	431.8	-15.6	416.2
Transport for London	7,594.0	-3,036.0	-3,741.0	817.0	-805.0	12.0
London Development Agency	390.3	-375.6	-14.7	-	-	Nil
<b>Total Other Services</b>	<b>8,587.6</b>	<b>-3,422.1</b>	<b>-3,789.6</b>	<b>1,375.9</b>	<b>-814.6</b>	<b>561.3</b>
<b>Total GLA Group</b>	<b>12,190.7</b>	<b>-3,986.7</b>	<b>-4,187.8</b>	<b>4,016.2</b>	<b>-814.6</b>	<b>3,201.6</b>

**Note:** The above table excludes TfL and LDA capital expenditure included within the budget proposals contained in sections 5 and 7 and funded by borrowings.

### External financing

	Total to be financed £m	Police Grant £m	General GLA Grant £m	RSG/NDR £m	Council Tax income £m	Band D Amount £
<b>Metropolitan Police Authority</b>	<b>2,640.3</b>	<b>-1,083.6</b>	<b>-</b>	<b>-894.7</b>	<b>662.0</b>	<b>224.37</b>
Greater London Authority	133.1	-	-48.1	-	85.0	28.76
London Fire and Emergency Planning Authority	416.2	-	-	-258.3	157.9	53.41
Transport for London	12.0	-	-	-	12.0	4.06
London Development Agency	-	-	-	-	-	Nil
Collection fund surplus	-2.3	-	-	-	-2.3	-0.78
<b>Total Other Services</b>	<b>559.0</b>	<b>-</b>	<b>-48.1</b>	<b>-258.3</b>	<b>252.6</b>	<b>85.45</b>
<b>Total GLA Group</b>	<b>3,199.3</b>	<b>-1,083.6</b>	<b>-48.1</b>	<b>-1,153.0</b>	<b>914.6</b>	<b>309.82</b>

2008-09 band D amount: £309.82

## **Appendix I: Key dates**

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**28 January 2009**

Mayor to present his draft consolidated budget to the London Assembly

**11 February 2009**

Mayor to present his final draft consolidated budget to the London Assembly

## **Appendix J: Changes to budget consultation paper**

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

**1.13:** Deleted (request for consultation responses);

**5.12:** Amended '3.9 per cent of budget requirement' to '3.8 per cent of net revenue expenditure';

**7.5A:** Amended number of posts to 70;

**9.21:** LDA grant funding in table reduced by swaps figures in the row below and the latter deleted;

**9.22:** LDA capital financing costs amended;

**Appendix G:** New appendix – Protecting the Environment;

**Appendix H:** Previously Appendix G;

**Appendix I:** Previously Appendix H - updated;

**Appendix J:** New appendix summarising changes to the budget consultation paper in the light of the Mayor's draft consolidated budget proposals.

# Draft consolidated budget 2009-10: Finance and legal advice

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## **Advice provided by the Executive Director of Resources**

### **Advice on budget process**

The Local Government Act 2003 places a duty on the 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, which included budgets and business plans for the three years to 2011-12, 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; and
- Scrutiny by the Assembly's Budget and Performance Committee throughout the process.

The Mayor issued formal guidance in July 2008 to the Greater London Authority and the functional bodies for preparing their budget submissions. The guidance sought submissions that would enable the Mayor to distinguish clearly the costs of providing the complete range of services provided by the GLA and the functional bodies and ensure that his policy objectives are an integral part of component budgets and that the means exist for their delivery.

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

- Review delivery of the 2008-09 budget and to judge outcomes;
- Direct the 2009-10 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects the Mayor's priorities;
- Ensure that 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.

### **How were environmental and equality considerations addressed in the budget process?**

In his general budget guidance this year the Mayor made clear that prioritising measures consistent with the commitment to carbon reduction targets of 60 per cent by 2025 and promoting open spaces was a major priority for the GLA and the functional bodies. The Mayor's detailed strategies on energy, waste and air quality are due to be published in the course of 2009. Appendix G of the detailed budget proposals draws out estimated spending and outcomes of environmental considerations.

## **Advice on budget process - continued**

The Mayor has emphasised the importance of the equality and diversity agenda in his budget guidance which included a priority across the GLA Group to implement the Living Wage for London and promoting equality in the workforce.

A review of how the equalities process is reflected in the budget will continue and this will inform the future policy of the functional bodies as well as feeding into GLA group equality and human resource networks.

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

To explain each component budget requirement, there is a service analysis showing the spending plans for the three-year period 2009-10 to 2011-12 with comparative figures for 2008-09 (both budget and forecast outturn). This analysis shows:

- Net costs of providing the complete range of services provided by the body;
- Estimated specific grants;
- Capital financing costs (including capital expenditure charged to revenue);
- Transfers to and from reserves;
- Any other financial charges and adjustments; and
- The resultant budget requirement.

Careful attention has been given to explaining the changes from the equivalent figures for 2008-09. Explanations have been provided for the changes in terms of:

- Inflation;
- Full year cost of existing services;
- New initiatives and service improvements;
- Savings and efficiencies;
- Changes in specific grants;
- Changes in use of reserves; and
- Any other relevant reasons.

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. The papers can be provided if required.

### **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.

## **Advice on budget process - continued**

The arrangements for consultation have included a dialogue with representatives of the not for profit sector and London Councils before draft budget proposals were published.

The budget consultation paper had been widely circulated to London borough councils, London Councils, and a wide range of organisations including the London Voluntary Service Council, Transport for All, Consortium of LGTBVC Organisations, London Older People's Strategy Group, London Sustainable Development Commission, London Civic Forum, London faith groups, trade unions, BAME representative organisations and representative London business organisations. It was also placed on the Greater London Authority website, enabling members of the public to make their comments. The views expressed in 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 in light of that consultation 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.

It is an inevitable part of any budget process that estimates have to be prepared before some proposals are fully developed, particularly those for new developments. However, there are processes within each of the GLA group organisations for proper consideration to be given to proposal details before expenditure is sanctioned. Budget discipline is supported by a controlled virement system which maximises resource utilisation and allows emerging needs to be taken into account.

There are areas of risk and uncertainty in the budget. There are significant savings included in the budget and these will require positive management action. There is always the risk that the underspends forecast for 2008-09 will not be realised with the danger of a resulting shortfall in the budget funding. In that event the control system that operate throughout the group allow for component budgets to be reviewed and adjusted accordingly.

Risks are mitigated by authorities' insurance arrangements 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 Authorities' take a prudent approach to 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 relatively low: TfL's has increased significantly but the overall levels of borrowing planned over the next five years are well within the levels found in Europe, and the LDA's borrowing is specifically for the Olympic land acquisition programme which is supported by the Government and will be offset by future land disposals. The borrowing arrangements provided for by the Local Government Act 2003 do make it easier for the cost of capital expenditure to be spread more equitably between council tax payers in 2009-10 and those in future years.

## **Advice on budget process - continued**

In respect of capital spending the Prudential Code introduced a rigorous system of prudential indicators, which explicitly require regard to be given to affordability, prudence, value for money, stewardship, service objectives and practicality. This is backed up by a specific requirement to monitor performance against forward-looking indicators and report and act on significant deviations.

Overall, on the basis of the information that has been provided to explain the Mayor's 2009-10 budget proposals, including the need and justification of new developments, the estimates and budgetary provisions set out in this document represent reasonable and necessary financial provisions consistent with the powers and service obligations of the GLA and the functional bodies. Further advice on 2008-09 monitoring, reserves and balances, major areas for changes in expenditure proposed during the consultation process, capping, longer-term plans, the level of Government grants, council tax comparisons and calculations is also provided in this document.

## **Advice on 2008-09 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 of the GLA group organisations. In addition, progress against budget and business plans is reported quarterly to the Mayor's Management Board and the Assembly's Budget and Performance Committee (or its monitoring sub-committee) for each member of the GLA Group. The report details 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.

### **How does 2008-09 performance impact on the 2009-10 budget proposals?**

The extent that this year's variations impact on next year's budget proposals are summarised overleaf.

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

The revenue budget is currently forecast to underspend by £1.9m (before transfers to/from reserves), 1.5 per cent of the budget, based on the first six months' monitoring. It is anticipated that the underspend will increase in the Quarter 3 monitoring, which will reflect more accurately the current year effect of decisions taken in year.

The capital programme forecast for the year is spend in line with the budget of £4.4m.

In preparing the detailed estimates for 2009-10, the forecast outturn and reasons for variances has been take into account in the review of budget provisions. The significant variances are also reflected in specific proposals for additional savings and efficiencies.

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

The forecast for 2008-09 as at the end of the second quarter shows an underspend of £0.2 million against the budget.

#### **(c) Metropolitan Police Authority**

The revenue budget is currently forecast to underspend by £22m, 0.7 per cent of the budget, based on the first six-months' monitoring.

The key budgetary issues are forecast underspending of £31 million on pay (due to workforce levels being below those budgeted for police officers, staff and PCSOs) and an underspend of £9m relating to tax on free travel, offset by projected overspends on police officer overtime (£4 million), transport costs (£4 million) and supplies and services (£7 million).

There is also an income shortfall of £8m from a number of sources, including funded police units that are underspending due to vacancies.

## **Advice on 2008-09 financial monitoring – continued**

There is a forecast over-achievement of £3m on interest receipts, relating mainly to higher than anticipated cash balances and increased interest rates. However, the situation with the deposit of £30m of funds with Landsbanki bank in Iceland is being monitored.

The capital programme forecast for the year is spend of £214.9m (excluding the acquisition of New Scotland Yard), £26.2m (10.9 per cent) below budget. In December 2008, the Mayor approved an increase in the MPA's authorised borrowing limit to facilitate the purchase of the freehold of New Scotland Yard from the landlord.

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

The forecast for the year is an underspend of £6.9m (1.7 per cent) based on the first six-months' monitoring, due to an over-recovery on other income, interest receipts and external financing costs (£6.7m) and a projected underspend on London Resilience (£0.5m) and firefighters pensions (£0.5m). However this is offset by a projected overspend of £0.8m on total service expenditure.

It is proposed that any underspending in 2008-09 be transferred to reserves, to be utilised in future years. It is not currently intended that any such underspend be applied to reduce the 2009-10 budget requirement.

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

Based on estimates at the end of quarter 2, TfL's full year outturn was forecast to result in Net Services expenditure of £4,220 million as against a budget of £4,558 million. The only variance with a material impact on the budget proposals for 2009-10 is the capital underspend against budget of £173 million and much of this expenditure has been rescheduled for 2009-10 and transfers to and from reserves have been adjusted accordingly.

### **(f) London Development Agency**

The forecast position at quarter two show a forecast underspend of £18 million for the year. This is being closely monitored towards the year end. The Agency is assuming that £4.5million will be brought forward for new programmes next year and there may be further slippage which the Agency will need to carry forward to fund increased commitments into next year. There is also the option to offset borrowing for the Olympics from any cash surpluses.

## **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 2009 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.

### **Advice on 2008-09 financial monitoring – continued**

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 2009-10. 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 and performance officers and considered by both the Mayor and the Assembly on a regular basis. As demonstrated by the information summarised above each body has been required to explain the extent that this year's variations impact on, and are reflected in, next year's budget proposals. 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

## Advice on reserves and balances

Section 25(1)(b) of the Local Government Act 2003 places a duty on the Director of Finance and Performance, 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 reserve?

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 finance director 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.

Although CIPFA, in guidance issued in June 2003, 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.

An authority's external auditor 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 on reserves and balances – continued**

**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. To help provide an overview of the adequacy of the financial reserves, information is also provided on any external auditor judgement on use of resources or financial standing.

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

No changes are proposed to the GLA's policy on reserves which is based on a comprehensive assessment of its needs and risks and appropriate reserves established to ensure that the Authority's financial standing is sound and supports the achievement of longer term service objectives.

#### **General Reserve**

At 31 March 2009 the general reserve is expected to total some £3.4 million which represents just over 2.3 per cent of the estimated 2009-10 net revenue expenditure, or just over 4 per cent if the expenditure in respect of the Olympic Funding Agreement and the Museum of London are excluded on the basis that they are covered by specific sources of funding. This will be kept under review.

#### **Earmarked Reserves**

The current estimate of GLA earmarked reserves as at 31 March 2010 is some £23.7 million, after an estimated net transfer to reserves of £6 million in 2009-10. The most significant movement on the earmarked reserves in 2009-10 relates to the building up of reserves for the 2012 Mayor and Assembly elections.

#### **Use of Resources**

In the Audit Commission's 2008 Use of Resources Assessment of the GLA, the Audit Commission found that the Authority is 'performing well', awarding a score of three.

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

Most of the GLA's reserves are reserves relating to accommodation or to general cost issues (e.g. pay/grade redundancy reserve) 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 £0.1 million relating to the Assembly for development.

### **(c) Metropolitan Police Authority**

The Authority maintains working balances (the General Reserve) to manage uneven cash flows and avoid unnecessary temporary borrowing. These balances are also used to cushion the impact of unexpected events or emergencies. In addition earmarked reserves are used to meet known or predicted future expenditure. Provisions are established when the Authority has a financial obligation or liability as a result of a past event and that liability can be reliably estimated.

## **Advice on reserves and balances – continued**

An essential element of medium term financial planning is an assessment of the adequacy of reserves and provisions.

The MPA/MPS has in place a risk management strategy and a system of internal control. Of particular importance in this context is the MPA/MPS budget monitoring policy. It ensures that regular budget monitoring is carried out, requiring approval for carry-forward of any underspending, and that any net overspending by MPS Business Groups is made good, unless other exceptional arrangements are approved by the Authority. The MPS has a good record in identifying budget pressures and taking appropriate remedial action. In particular the record of management action over the last few years, coping with large unexpected operational expenditure, is good and it is considered reasonable to expect that appropriate corrective action would be undertaken if further situations arise. These existing systems, controls and procedures provide a firm foundation from which the need for reserves and balances can be calculated with a reasonable level of confidence.

### **Risk Analysis**

The Service takes an active approach to managing risks and has developed a risk management framework to assess and manage corporate and directorate risks. The major risks that impact upon the medium-term financial plan are identified below:

- Delivering Citizen Focused Policing
- Enhancing Counter-Terrorism Capability and Capacity
- Preparing for the 2012 Olympic and Paralympic Games
- Capacity and Capability
- Resources
- Partnership Working

### **General Reserve**

At 31 March 2009, the general reserve is expected to total some £46.8 million. In line with MPA policy, when the Emergency/Contingency Reserve (£23.1 million) is taken into account the resources available total £69 million, which represents 2.6 per cent of 2009-10 Net Revenue Expenditure. The Authority has a policy of maintaining a general reserve (including Emergency/Contingency Reserve) of at least 2 per cent of Net Revenue Expenditure. Given the current uncertainties facing the MPA/MPS there are no proposals at this stage to make available any of the current balance to reduce the budget requirement. The Treasurer considers the level of general reserve is considered adequate given the level of earmarked reserves maintained and the risks faced by the MPA/MPS.

### **Earmarked Reserves**

Contributions to and from earmarked reserves are not yet reflected in the 2009-10 budget requirement. These will be adjusted before the budget is finalised to reflect the most up to date position. The position on the main reserves maintained by the Authority was reported to the MPA Finance Committee on 20 November 2008.

## **Advice on reserves and balances – continued**

### **Provisions**

A review of provisions has been undertaken. The remaining provisions are also estimated to be sufficient to meet known liabilities.

### **Use of Resources**

The Audit Commission conducted the Police Use of Resources (PURE) audit between April and September 2008 and this was integrated with an inspection carried out by HMIC on the MPA/MPS arrangements for strategic resource leverage. Overall, the MPA/MPS were assessed as achieving adequate performance (level 2) in the police use of resources assessment for 2007-08. The view of the Audit Commission is that the underlying direction of travel is positive and arrangements are developing and are generally stronger than a year ago. The scores for all five themes were assessed as the same as in 2006-07. Two of the five themes - the Authority's financial standing and arrangements for financial reporting - remain at level 3, indicating they are performing well. Whilst the other three themes - financial management, internal control and value for money - remain at level 2, the Audit Commission acknowledged that much work is being undertaken to strengthen arrangements within these themes, for example, business and financial planning, risk management and procurement, but that these arrangements will need time to become embedded.

### **Conclusion**

The Reserves are based on a detailed estimate of known liabilities and expenditure plans and a risk analysis of future expenditure arising from unforeseen events. The level of reserves is judged prudent in the context of the Metropolitan Police Authority's Medium Term Financial Plan.

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

The Authority maintains a general reserve. Besides providing a short-term safety valve for the authority, this reserve provides cover for risks in respect of overtime and modernisation, the ongoing risks of claims (including high insurance excesses) and low ability to stop significant proportions of spend in-year due to the majority of expenditure being fixed in the short term.

LFEPA officers have had specific budget development meetings with GLA Finance Officers to update them on the use of reserves in funding the budget and to re-examine options for a long term strategy with the objective of moving away from significant reserve use over the medium term.

### **Risk Analysis**

Decisions on the reasonable level of reserves need to consider not just the per cent proportion of reserves to annual spend, but also the absolute quantum and the quantum and likelihood of financial risks or threats in a given year. It is arguable that LFEPA faces less financial volatility than a multi purpose local authority. However, it does face financial risks in a single year, for example, financial compensation claims for firefighters' death in service are significant, and should this arise, it could be the case that LFEPA would prudently seek to rebuild its general reserve from council tax for the following years. Another example would be the risk from industrial action, and the level of flexibility that the current level of reserves provides for in planning terms. LFEPA also faces a

## **Advice on reserves and balances – continued**

number of future financial risks – a significant example being the Fire Control project. Appropriate levels of insurance are also a consideration. LFEPA has recently reduced the excess on its insurance policies from £1 million to £0.5 million at no additional cost in recognition of the fact that reserves are reducing.

### **General Reserve**

The balance of general reserves after the application of £15.6million in 2009-10 would amount to an estimated £16.4 million at 1 April 2010, approximately 3.8 per cent of net revenue expenditure for 2009-10.

### **Earmarked Reserves**

Earmarked reserves are funds that LFEPA has agreed should be set aside for a particular purpose. The total balance on earmarked reserves is estimated to be £6.4million at 1 April 2010, no application of funds are planned in 2009-10.

### **Use of Resources**

LFEPA's most recent public assessment from the Audit Commission was in February 2008. The assessment found that in terms of what progress was made or otherwise to achieve improvement, the Authority was improving strongly. In its "use of resources" assessment which looks at financial accounting and reporting arrangements, how well the Authority plans and manages its finances and whether the Authority achieves value for money, the Audit commission found it to be performing well.

### **Provisions**

Accounting provisions complement reserves, and it will continue to be the case that the approach to closing the Authority's accounts will be prudent, and seek to identify all reasonable provisions that need to be made for future liabilities.

### **Conclusion**

The Reserves are based on a detailed estimate of known liabilities and expenditure plans and a risk analysis of future expenditure arising from unforeseen events. The level of reserves is judged prudent in the context of the Authority's Medium Term Financial Plan.

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

TfL, as a large trading and project delivery organisation with potential for fluctuations in both costs and income levels, needs to hold reserves to enable it to maintain service delivery in unforeseen circumstances. Actual cash balances back all of TfL's reserves.

The creation of a satisfactory level of reserves has been a financial priority for TfL since it was established in July 2000. Since that time, reserves have been built through modest additions and budget savings. TfL's auditors, KPMG, have supported this policy of building an appropriate level of reserves.

## Advice on reserves and balances – continued

TfL continued to score top marks following the Use of Resources and Direction of Travel assessments carried out by the Audit Commission. Building on its 'excellent' rating as part of the Initial Performance Assessment (IPA) in 2004, the Audit Commission concluded in its 'Direction of Travel' assessment that TfL continues to make 'good progress'. This was further reinforced by the review of its 'Use of Resources', where TfL was awarded the top score of 4 (performing strongly).

TfL's reserves are forecast to reduce from £1,603 million in March 2008 to £150 million by April 2011. The reduction is a planned one and the £150 million level is recognised as the minimum necessary for TfL to hold.

### (f) London Development Agency

The LDA is currently considering its reserves policy alongside its Treasury Strategy. It will work with BERR to establish appropriate policies for the levels of ongoing balances and reserves. It is anticipated that the Board will agree a policy in the new year.

### 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 most recent external audit letters all report favourably on systems of governance, financial administration and risk management and this is confirmed in the recently published Use of Resources Assessments.

The use of reserves over the plan period is summarised in the table below.

	GLA £m	MPA £m	LFEP £m	TfL £m	LDA £m	Total £m
<b>Opening balances 1.4.09</b>	<b>21.1</b>	<b>232.0</b>	<b>38.4</b>	<b>1,141.0</b>	<b>4.0</b>	<b>1,436.5</b>
Earmarked/capital reserves	6.0	-	-	-805.0	-	-799.0
General reserves	-	-	-15.6	-	-	-15.6
<b>Balances 31.3.10</b>	<b>27.1</b>	<b>232.0</b>	<b>22.8</b>	<b>336.0</b>	<b>4.0</b>	<b>621.9</b>
Earmarked/capital reserves	7.2	-	-	-175.0	-	-167.8
General reserves	-	-	-	-11.0	-	-11.0
<b>Balances 31.3.11</b>	<b>34.2</b>	<b>232.0</b>	<b>22.8</b>	<b>150.0</b>	<b>4.0</b>	<b>443.1</b>
Earmarked/capital reserves	7.6	-	-	-	-	7.6
General reserves	-	-	-	-	-	-
<b>Balances 31.3.12</b>	<b>41.8</b>	<b>232.0</b>	<b>22.8</b>	<b>150.0</b>	<b>4.0</b>	<b>450.7</b>

As can be seen in the table above, the most significant use of reserves concerns TfL where it was planned that reserves would be built up over a period before being drawn down by 2010-11.

### **Advice on reserves and balances – continued**

Of the forecast balance on reserves of some £450.7 million at 31 March 2012, some £220.6 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 there are no specific issues that need to be redressed in the 2009-10 budget setting process and the Mayor's budget proposals are consistent with the advice provided on reserves and balances. The issue of reserves and balances will however be kept under continuous review.

## **Advice on council tax capping**

### **What are the Government's "capping" powers?**

The Government has powers to cap the GLA precept under the Local Government Finance Act 1992 and the Local Government Act 1999.

### **Advice**

The Government has used its reserve capping powers to deal with increases in council tax that were deemed excessive, including police and fire authorities. In the last financial year one police authority was capped in-year and three were designated which limits their council tax increase in 2009-10 to 3 per cent. The Minister for Local Government has said that he is prepared to use them again, so the potential for capping must be considered.

In his letter of 9 December to Council Leaders and directly elected Mayors, the Minister for Local Government included the following in respect of capping:

*"The Government expects the average council tax increase in England to be substantially below 5 per cent in 2009-10 and we will not hesitate to use our capping powers as necessary...including police and fire authorities."*

The budget proposals for 2009-10 would result in an increase in the budget requirement of 1.7 per cent and a zero per cent council tax increase. Although the objective is to avoid excessive increases in council tax, the Secretary of State is only required to include the increase in budget requirement and other criteria do not necessarily have to include the increase in band D council tax. The unchanged level of council tax that would result from the proposed budget increase is entirely consistent with the Government's national council tax expectations and the budget proposals are not therefore considered to be at risk from capping in 2009-10.

Legal advice on the capping process is provided on page 126.

## **Advice on longer-term plans**

### **What are the longer-term planning arrangements?**

Financial and performance planning has steadily improved over the short history of the GLA Group and this has been recognised in the independent performance assessment regime reports to each organisation. Specific implementation plans, targets and deliverables are being developed to provide a full three-year framework and in the case of TfL it has a new 10 year plan consistent with its long term settlement from Government. These are reflected in the business plans developed across the GLA group and within the Mayor's budget proposals.

The aim is to have three-year financial plans and business plans that are based on Mayoral objectives and priorities. This means ensuring that there are sound medium and long term financial plans within which all priorities and objectives are adequately funded.

### **Are all of the priorities and objectives identified and adequately funded?**

The Secretary of State for Transport recognised that Transport for London would benefit from a greater degree of funding over its long-term and as a result TfL's current agreement covers the period to 2017-18 which enables better financial and management planning for investing in London's infrastructure and facilitates the provision of a first-class strategy for the 2012 Olympic and Paralympic Games. The Secretary of State also committed to take all possible steps to avoid any deviation from that plan. This agreement, which included support to TfL's programme of prudential borrowing and its existing agreements covering London Underground has continued to provide TfL with reasonable long term funding certainty. This is reflected in TfL's business plan.

The Secretary of State also undertook to consider increasing funding in the event of exceptional unforeseen expenditure pressures falling to TfL; one cost that falls into this category is the additional £1 billion to £1.4 billion in costs which the PPP arbiter has identified in relation to the Tubelines PPP contract period starting in June 2010.

The nature of TfL's operations exposes it to considerable business risk in relation to fares and ticket income, congestion charging income and advertising and property income. Given the nature of the economic downturn the income assumptions underlying TfL's Business Plan will have to be revisited and TfL are therefore likely to undertake a rebudgeting exercise before the beginning of the 2009-10 financial year to ensure that the Budget continues to be realistic and achievable.

Following the outcome of Spending Review 2007 there is some certainty over the level of grant funding until 2010-11 for MPA, LFEPA and the GLA as part of a three year grant settlement. The figures for 2010-11 will still need to be confirmed next year on a formal basis, but the expectation is that these will not change significantly if they are subsequently amended. Grants for 2011-12 will be determined as part of the next spending review period and the Government's Pre-Budget Report published in November 2008 indicates that Government spending, and therefore also the level of grants, will increase by less than in the current review period. Proposals in this budget are therefore subject to review depending on the outcome of future grant increases.

## **Advice on longer-term plans – continued**

### **Conclusion**

Considerable progress has been made to develop sound medium and long-term financial plans within which all priorities and objectives are adequately funded. The Government's multi-year grant settlements mean that forward plans can be developed with a greater degree of confidence in respect of the net cost to council tax payers than in previous years. The integration of business planning and budgets across GLA group provides an effective framework for making further progress and to ensure that any uncertainties and changing circumstances are properly reflected in the budget proposals that will come forward each year for consideration and approval.

## **Advice on the limit on Assembly's power to amend Mayor's budget for the Assembly**

### **What is the budget for the Assembly?**

Section 85 of the GLA Act 1999 as amended introduced separate component budgets for the Assembly and the Mayor so that for the purpose of budget setting the Assembly and the Mayor are separate constituent bodies. The component budget for the Assembly comprises the estimates for defined expenditure (essentially direct expenditure) and income, and appropriate contingencies and financial reserves. The component budget for the Mayor comprises the rest of the GLA.

The expenditure that is to be regarded as incurred by the Assembly in the performance of its functions includes any expenditure by the Authority in the performance of its functions which is incurred in respect of any of the following:

- the Assembly Members;
- the Assembly secretariat (defined as employees of the Authority who normally work as support staff for the Assembly or Assembly Members);
- goods or services procured solely for the purposes of the Assembly;
- the London Transport Users Committee (London Travel Watch).

Expenditure incurred on accommodation in relation to the Assembly's business, and goods and services provided or procured for the Authority in general are deemed by the legislation to be part of the Mayor's budget.

The legislation defines the Assembly's functions as:

- such of the functions of the Authority as are exercisable only by the Assembly acting on behalf of the Authority; and
- the Assembly's function of acting jointly with the Mayor in the case of those functions of the Authority which are exercisable only by the Mayor and the Assembly acting jointly on behalf of the Authority.

### **What is the restriction on the Assembly changing its component budget?**

The GLA Act 2007 limits the Assembly's power of amendment in respect of its own budget requirement. The Assembly can only increase its budget (as proposed by the Mayor) by reference to the following:

- If the Mayor's proposed component budget for 2009-10 for the Mayor is **greater than** the component budget for 2008-09 then the Assembly cannot amend the Assembly's component budget so that it would increase by more in percentage terms than the increase in the Mayor's component budget.

## **Advice on the limit on Assembly's power to amend Mayor's budget for the Assembly – continued**

- If the Mayor's proposed component budget for 2009-10 for the Mayor is **less than** the component budget for 2008-09 then the Assembly cannot amend the Assembly's component budget so that it would decrease by a smaller percentage than the decrease in the Mayor's component budget

The 1999 Act as amended 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 component budget for the Mayor for 2008-09
- 'New' Mayor will be the Mayor's proposed component budget for the Mayor for 2009-10 before any amendments
- The percentage change in the Mayor's budget from 2008-09 is calculated using these amounts.

The Assembly's component budget for 2008-09 is then increased by the same percentage. This figure then becomes what the Act terms '**adjusted previous component budget requirement for the Assembly.**'

### **What are the component budgets for the Mayor and the Assembly for 2008-09?**

The amounts are:

- |                    |                       |
|--------------------|-----------------------|
| ▪ For the Assembly | <b>£8.7 million</b>   |
| ▪ For the GLA      | <b>£127.8 million</b> |

### **How is a like for like comparison ensured?**

To facilitate a like for like comparison the chief finance officer may direct amounts to be excluded from the comparison of Mayor's draft component budget requirement for the Mayor with the component budget requirement for the Mayor for the preceding year. The chief finance officer must have regard to any Secretary of State guidance on the direction.

## Advice on the limit on Assembly's power to amend Mayor's budget for the Assembly – continued

The Secretary of State has not issued any guidance on the direction and the Executive Director of Resources has not directed that any GLA budgeted expenditure is to be left out of account in the comparative calculations this year.

### Can the Assembly amend Mayor's budget for the Assembly?

Using the Act's methodology and applying it to the draft budget figures, **the Assembly cannot increase its own component budget to a figure above the Mayor's proposal.** This is because the Mayor is already proposing a budget of £8.7 million and the application of the Act is that **the Assembly cannot amend its component budget to a figure above £8.462million** . This is explained in the table below:

<b>Mayor's Budget: Calculation of NM</b>	<b>£m</b>
NM (Proposed component budget requirement for the Mayor for 2009-10)	124.4
<b>less:</b> OM (component budget requirement for the Mayor for 2008-09)	-127.8
<b>Amount NM is less than OM budget requirement</b>	<b>-3.4</b>
<b>Percentage Decrease</b>	<b>-2.7%</b>
<hr/>	
<b>Assembly Budget: adjusted previous component budget</b>	<b>£m</b>
Component budget requirement for the Assembly for 2008-09	8.7
<b>deduct:</b> 2.7% percentage decrease	-0.238
<b>Adjusted previous component budget</b>	<b>8.462</b>

The figure of £8.462 million is the 'adjusted previous component budget' requirement for the Assembly. As the Mayor is proposing a budget of £8.7 million the Assembly cannot increase its own component budget.

## **Advice provided by the Head of Law**

### **Statutory budget process: legal issues**

#### **1 Overview**

The Mayor is responsible for the preparation of the budget for both parts of the GLA and for the component and consolidated budgets for the GLA group. 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 time. The Assembly also has the power to amend their own budget to the extent that any increase proposed for the Assembly is proportionately less than that proposed for the rest of the GLA.

It is necessary to secure a financially balanced budget and 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. The Mayor and the Assembly have fiduciary duties in this regard.

The GLA's major sources of revenue are council tax, grants paid by the Secretary of State and redistributed non-domestic rates, fares and net revenues from congestion charging. Subject to amendment, the Mayor sets the component budget requirements for both parts of the GLA and each of the functional bodies and together they constitute the consolidated budget requirement.

#### **2 Specific advice**

##### **2.1 Council tax**

The GLA is a major precepting authority. It raises money indirectly by issuing a precept to the London Boroughs 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 budget requirement in respect of the Metropolitan Police Authority is treated separately. This is necessary because the GLA 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.

Each London billing authority must include the precept when they calculate their own council tax bills (s.30 of the Local Government Finance Act 1992 as amended). The London Boroughs then collect the precept from the council tax payers in their areas and pass it on to the GLA. The precept must state (a) the amount of the council tax which the GLA has calculated in respect of each category of dwellings, and (b) the amount it has calculated to be payable by the billing authority for the year.

## **Statutory budget process: legal issues – continued**

The Mayor sets separate budget requirements for the Mayor and Assembly (s.85 of GLA Act 1999 as amended) and each of the functional bodies, which forms the basis of the calculation of the basic amount of council tax. A precept for any given financial year should be issued by March 1.

### **2.2 Grants**

The grants from the Secretary of State will include a revenue support grant, any additional grant, a special grant, a general GLA grant, a GLA transport grant paid for the purposes of Transport for London, a police grant and other specific grants.

### **2.3 Non-domestic rates**

Non-domestic rates are distributed to local authorities in proportion to their relative needs and resources as assessed by Government and are shared between authorities according to the services they provide. This includes the GLA.

### **2.4 Congestion charging net revenues**

Net revenues from congestion charging schemes introduced within ten years of the inception of the GLA are ring-fenced for spending on measures that support the Mayor's Transport Strategy. The Secretary of State has approved the ten-year expenditure plan and approval of the Secretary of State will be required at four-yearly intervals for a programme of expenditure covering the next four years. (GLA Act, schedule 23 paragraphs 16 and 17).

### **2.5 Component and consolidated budget requirements**

The GLA must calculate budget requirements for the Mayor and Assembly (s85 of GLA Act 1999) and that of the four functional bodies, Transport for London, London Development Agency, the Metropolitan Police Authority and the London Fire and Emergency Planning Authority. The component budget requirements together constitute the consolidated budget requirement (GLA Act, s.85).

The budget requirement for each body is calculated by determining the difference between projected expenditure and projected income including specific Government grants. Insofar as expenditure will exceed income, that amount is the body's component budget requirement for the year (GLA Act, s.85(6)). The Mayor must also consult the Assembly and functional bodies and others as appropriate before preparing their draft component budget requirements: section 87 and Schedule 6.

In respect of all the calculations, it is the Mayor who must estimate the sums to be required and not the functional bodies. Accordingly, the functional bodies must provide the GLA with information at the request of the Mayor or the Assembly to facilitate this.

### **2.6 Procedure for determining the budget requirements**

The sequence of events in the budget process is presented at the end of this appendix.

## **Statutory budget process: legal issues – continued**

The determination of the component and consolidated budget requirements is expected to take place between December (when central government's provisional financial settlement is published) and before the end of February when the budget will be finalised (GLA Act, Schedule 6, paragraph 8). The Mayor, as the executive, makes representations to Ministers in relation to the financial settlement.

The Mayor, after consulting the Assembly and the functional bodies, must prepare a draft component budget for each of the constituent bodies, i.e. the Mayor and Assembly of the GLA and the functional bodies (Schedule 6, paragraph 2 GLA Act 1999 as amended). The Mayor must also consult such other bodies or persons as appear appropriate to him and consult representatives of non-domestic rate payers (s 65 LGFA 1992).

The draft consolidated budget must be presented to the Assembly at a public meeting on or before February 1<sup>st</sup> in the financial year preceding that to which it relates. If the Mayor fails to comply with these requirements, the Assembly must prepare draft component and consolidated budgets.

If approved without amendment, the draft consolidated budget is deemed to be the Authority'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 their own budget is limited insofar as they cannot vote an increase which is proportionately more than that proposed in respect of the rest of the GLA. After the approval of the budget (or after such period as the Mayor considers reasonable having elapsed without approval), the Mayor must prepare a final draft of the consolidated budget. This can be:

- the draft budget as amended by the Assembly;
- the draft budget as amended by the Mayor; or
- the unamended draft budget.

In the latter two cases, the Mayor must lay before the Assembly a written statement of his reasons for rejecting any amendments made by the Assembly (Schedule 6, paragraph 6(5)). The Assembly must approve the budget with or without amendment by the end of February. The approved budget is the consolidated budget for the financial year. Any amendments by the Assembly require a two-thirds majority of the members voting (schedule 6, paragraph 8 (4)). The Assembly right of amendment in respect of their own budget is again similarly limited

If the Assembly fails to approve the budget before the last day of February, the final draft budget will be the Authority's consolidated budget for the year (schedule 6, paragraph 9).

If the Mayor, having presented a draft budget, fails to present a final draft budget, the Assembly must meet and agree by simple majority the component budget requirement of each of the constituent bodies and the consolidated budget is deemed to have been agreed accordingly (Schedule 6, paragraph 7).

## **Statutory budget process: legal issues – continued**

The Mayor is required to publish the consolidated and component budgets as soon as practicable after they have been set. They must be kept available for inspection free of charge by the public at principal offices of the GLA for six years after publication (schedule 6, paragraph 11). Any person may obtain a copy of the document, on payment of a reasonable fee determined by the Mayor (Schedule 6, paragraph 11(5)).

### **2.7 Consultation**

Consultation is not defined in the GLA Act 1999. At common law, the essence of consultation is the communication of a genuine invitation to the consultee to make representations, the receipt and consideration of those representations by the consulting body, at a time when proposals are still in their formative stage. Thus for there to be sufficient consultation, sufficient information must be provided to the consultee, together with sufficient time to consider and put forward a considered response to be taken into account before the relevant decision is made. The decision-maker is required to consider but not to accept consultation responses. A rational reason is required for a decision to make or not to make changes in response to consultation replies.

### **2.8 Virement**

It is possible for the GLA and the functional bodies to 'vire' (move) money between budget centres and this is a matter dealt with under the individual financial regulations of each body. However, the Assembly's legal powers to amend the consolidated budget (whether the final draft or earlier proposal) do not extend to amending the budget centres within each body's proposed budget, ie they cannot propose virements. The current limits on virements in the GLA Group are presented at the end of this Appendix.

### **2.9 Assembly Voting Arrangements**

The Assembly has a duty to approve the final draft budget (with or without amendment) **before** 28 February in the relevant year.

The legislative framework is that defined by the GLA Act 1999 as amended by the GLA Act 2007.

*"...the only amendments which are to be made are those agreed to by at least two-thirds of the Assembly members voting".*

An abstention is not a vote and the two-thirds majority must therefore be calculated by reference only to those Members voting either for or against a particular amendment.

The two-thirds figure required to agree any given amendment (at any given point in the Assembly meeting) will ignore any fraction and require the higher nearest whole number – e.g.,

## **Statutory budget process: legal issues – continued**

if 23 Members voted, 16 Members would need to vote in favour of a proposed amendment for it to be passed.

The power is to make “amendments” rather than reject the entire budget. Amendments can be fundamental. Amendments should be rational.

The GLA Act provides for the Assembly to meet twice to consider the Mayor’s budget as set out above although, within reason, the Assembly can adjourn meetings which are not concluded and resume later. There is no limit to the number of times that the Budget Committee can meet.

The GLA Act 1999 as amended requires separate component budgets for the Assembly and the Mayor (amended s85) so that for the purpose of budget setting the Assembly and the Mayor are separate constituent bodies.

The limitation on the Assembly’s powers introduced by the act is that they “ cannot amend the Assembly’s component budget so that it would increase by more in percentage terms than the increase in the Mayor’s component budget”. There is an equivalent limitation where the Mayor’s component budget is decreased.

The provisions in the Act do not affect the Assembly’s ability to pass amendments by a two-thirds majority to the Mayor’s component budget. However, if the Assembly was able to pass an amendment reducing the Mayor’s component it could not use that reduction to increase it’s own component budget.

The chief finance officer has the power to specify amounts to be left out of account.

### **2.10 Information to be provided to the GLA, Assembly and the Mayor**

The functional bodies must, at the request of the Mayor or the Assembly, provide such information relating to the financial affairs of the body as is required by the GLA for the purpose of any functions of the Mayor or the Assembly (s.110 GLA Act 1999). The information must be provided in the form and manner, and within such time, as is specified in the request. Information is defined in section 110(4) of the GLA Act 1999 to include information which the body has or can reasonably obtain, and information about the body’s plans or proposals relating to the finances or expenditure of the body or of any company in which the body has an interest. The Assembly also has its usual power to require attendance at its meetings and the production of documents.

### **2.11 Minimum budget for the Metropolitan Police Authority**

If it appears to the Secretary of State that the budget set by the GLA for the Metropolitan Police Authority is too low to restore or maintain an efficient or effective police force for its area, he may direct the GLA to increase the component budget requirement to a level not less than an amount specified by him in the direction (section 95).

## **Statutory budget process: legal issues – continued**

### **2.12 The 2012 Olympic and Paralympic Games**

Financial support proposed for the 2012 Olympic and Paralympic Games is through an addition to the component budget requirement of the Mayor. Under those arrangements the GLA has committed to and the Mayor and the Secretary of State for Culture, Media and Sport have agreed a 'revised funding package' that is set out in a revised Memorandum of Understanding on Funding (dated 27 June 2007). This agreement provides for £9.325 billion to help meet the costs of staging an Olympics in London in 2012 as follows:

- £750 million from the Olympic Lottery
- £340 million from the Sports Lottery
- £1,085 million from the National Lottery
- £925 million from the Mayor of London (of which a maximum of £625 million would be met from Council Tax)
- £250 million from the London Development Agency
- £5,975 million from the Government (including the provision for wider security and policing)

The Mayor's Funding from Council Tax will be no more than £20 per year (at band D), beginning in 2006-07 and ending in 2016-17.

In the revised Memorandum the Mayor has agreed to provide a further £300 million since the original Memorandum of Understanding on Funding, which was agreed in May 2003. The timing of its availability will be a matter for agreement between the Government and the Mayor, however, the first call on this funding will not be before 2010-11 and will be in tranches of no more than £100 million per year. The sourcing of the £300 million is a matter for the Mayor, but the Mayor has confirmed that it will not be found from either an increase in Council Tax or an increase in fares.

The setting of the GLA component and consolidated budget is a discretionary decision-making process for the Mayor and the Assembly in terms of their respective statutory roles. This discretion is not legally constrained by the arrangements which have been agreed for the financing of the 2012 Olympic and Paralympic Games but he and they would need to take full account of the nature and extent of those commitments and the consequences which would follow if for any reason the GLA and its functional bodies were not able to honour those commitments.

### **2.13 Capping and nomination**

The budget requirement set by the Mayor can be "capped" by the Secretary of State under Chapter IVA of the Local Government Finance Act 1992 (the "1992 Act") and Part 2 and schedule 1 of the Local Government Act 1999.

In deciding capping principles he can look at an authority's changes in budget requirement over a number of years and require a local authority to reduce its budget requirement over a number of years. He can also require authorities to reduce their budget requirements below those of

## **Statutory budget process: legal issues – continued**

previous years. In addition, the Secretary of State is able to exempt certain categories of authorities from budgetary controls, for example those with small budgets or those which provide only particular services. He is able to take into account factors such as the authorities' performance in delivery of best value, the support of local people for authorities' proposed budgets, and whether the council has beacon status, when deciding if the budget requirement is excessive. The powers of review by the Courts of arbitrary or unfair exercise of the capping powers are probably less available than in other local government matters because of the political judgements involved.

The reserve powers can operate as follows:

- a) The Secretary of State first has to decide if the budget requirement is excessive. He will determine the set of principles he will use to decide whether or not the budget requirement set by a local authority is excessive after budgets have been set. The set of principles must contain a comparison with the budget requirement of a previous year. He can determine categories of authorities (which could be just one authority) and use a different set of principles for each category.
- b) If the Secretary of State decides that the budget requirement is excessive he has powers which include:
  - in-year designation as before;
  - nomination and designation for the following year;
  - notional budget requirement can be used for making comparisons instead of using actual budget; and
  - designation could apply for a number of years, starting in-year or the following year.

Where an authority is designated for a year, the Secretary of State will inform the authority of the maximum budget requirement. The authority would normally expect to be told in early April. It would have 21 days to challenge this and expect to be able to put its case directly to the Minister.

A final decision is then made and because Parliament needs to approve any final cap any council tax re-billing would not normally take place before early June.

After a challenge the Secretary of State may decide not to designate the authority for capping but could instead nominate it, in which case the designation would be deemed not to have taken place.

If an authority were nominated this would be expected to be in May or June. The Secretary of State will then decide whether to designate for the following year or set a notional budget requirement for the year in question.

## **Statutory budget process: legal issues – continued**

The option of designation in the following year voids the need to re-bill council tax in-year. It is expected that authorities would be notified of the intention to do this soon after they had been nominated i.e. in May or June. However, they would not be formally designated until around the time of the provisional grant settlement in late November/early December when the following year's cap would be set. They would then have at least 21 days to challenge this ending around the time of the final grant settlement at the end of January/early February.

If an authority is not designated for the following year it will be given a notional budget figure instead. When the government came to make a year on year comparison of the budget increase the following year it would then use the lower notional figure. This would give a year's grace before any further action was considered.

There would be a right to challenge the notional budget figure in the same way that there is a right to challenge the cap when designated.

It is expected that when an authority is designated it would normally be required to reach the target cap in one year. However, the Secretary of State could instead allow an authority more time to reach a target and will specify by when it should be achieved.

If an authority is designated for the following year but subsequently sets a budget over the government's cap, it could be forced to set a lower budget in-year or it could be designated again for the following year.

### **2.14 Challenge to the calculation of the budget requirements**

The GLA's calculation of its budget requirements may not be questioned except by way of judicial review (s.107 of the GLA Act 1999 amending the Local Government Finance Act 1992, s.66). This restriction applies so long as the GLA's calculation was made in accordance with the statutory procedures. This prevents such matters being raised by way of collateral challenge outside the strict time limits of judicial review, for example in proceedings to recover arrears of council tax.

### **2.15 Grants between the GLA and functional bodies**

Under sections 120 and 121 of the GLA Act 1999, the GLA and functional bodies can make grants to one another with the consent of the Mayor. If a grant is given the functional body or GLA giving the grant cannot attach conditions to the grant on how it is to be spent (apart from whether it is or it is not for capital purposes). In addition, the Mayor does have powers to give grants to bodies other than functional bodies by virtue of sections 30 and 34 GLA Act 1999 amongst other powers.

There are no express restrictions or guidance given in the legislation as to how the Mayor should exercise his discretion to give consent or to give grants. However, the decision must be lawful and not contrary to Judicial Review principles i.e. it must not be "Wednesbury unreasonable". Save in exceptional circumstances, it might not be lawful for the Mayor to sanction a grant specifically for the purpose of reversing a budget decision taken by the Assembly.

## **Statutory budget process: legal issues – continued**

### **2.16 Lawful and balanced expenditure**

Expenditure or activities undertaken by the GLA or the functional bodies must, as statutory bodies, be based on the specific statutory powers given to each of those bodies respectively in their governing legislation. Expenditure should only be budgeted for activities which fall within those statutory powers and can only be spent for such purposes whether budgeted or not.

The GLA is required in the exercise of its general power under s30 of the GLA Act 1999 to secure, over a period of time, a reasonable balance between each of its principal purposes. The principal purposes are the promotion of economic development and wealth creation, promoting social development and promoting the improvement of the environment in Greater London. Although not a specific budgetary requirement, the budget process provides a suitable opportunity to consider the required balance of expenditure between the principal purposes in relation to those functions that are carried out under the general power.

#### Steps To Budget Process

1. Mayor consults Assembly
2. Mayor prepares draft component budgets for the Mayor and the Assembly
3. Mayor consults each functional body
4. Mayor prepares draft component budget for each functional body
5. Mayor prepares draft consolidated budget for both parts of the GLA and functional bodies
6. Mayor consults Assembly and other appropriate bodies on the draft consolidated budget
7. Mayor determines final contents of the draft consolidated budget and presents it to Assembly at a Public meeting
8. Assembly approves/amends by MAJORITY (subject to limitations in relation to their own budget.)
9. Mayor presents final draft budget with or without Assembly amendments (in the latter case with a statement of reasons) to Assembly at Public Meeting
10. Assembly's approval without amendments deemed unless amendments approved by 2/3 MAJORITY (again subject to limitations in relation to their own budget.)
11. Final Budget made before the last day of February

NB: The first four stages above can proceed simultaneously but all other stages are sequential

**POWERS OF VIREMENT UP TO:**

	<b>£10,000</b>	<b>£25,000</b>	<b>£50,000</b>	<b>£100,000</b>	<b>£1M</b>	<b>£1M+</b>	<b>£25M</b>	<b>£25M+</b>	<b>£100M+</b>
<b>GLA</b>	Director	Executive Director of Resources	Approval of Mayor	Approval of Mayor in consultation with Assembly	Approval of Mayor in consultation with Assembly	Approval of Mayor in consultation with Assembly			
<b>MPA</b>	Commissioner delegates to Head of Business Group or person nominated by Head of Business Group	Commissioner delegates to Head of Business Group or person nominated by Head of Business Group	Commissioner delegates to Head of Business Group or person nominated by Head of Business Group	Commissioner delegates to Head of Business Group or person nominated by Head of Business Group	Commissioner delegates to MPS Investment Board	MPA Finance and Resources Committee			
	Virements below £1 million are reported to members via budget monitoring mechanism. Budget virements only made when permanent shifts of priorities or resources are planned.								
<b>LFEP A</b>	Director or Head of Department	Director or Head of Department	Director or Head of Department	Director to £125k (revenue) and £250k (capital)	Approval of LFEP A	Approval of LFEP A			
	Can make a virement between budget heads within departments but virement between departments to be reported to members as part of quarterly monitoring								
<b>TFL</b>	It is not TfL's practice to make budget virements. Any change to the budget requires TfL Board approval with the exception of transfer of activities which requires the approval of the Chief Finance Officer.								
	The Chief Officers approve unbudgeted project expenditure to £2M					The MD Finance approves unbudgeted project expenditure to £10M	The Commissioner approves unbudgeted project expenditure to £25M	The TfL Finance Committee approve unbudgeted project expenditure to £100M	The TfL Board approve unbudgeted project expenditure over £100m as recommended by the Finance Committee
<b>LDA</b>	Programme Budgets:	Up to £5M approval of Investment Committee				More than £5M approval of LDA Board			
	Administration Budgets:	Within Directorates approval of Group Directors. Between Directorates approval of Chief Executive/Finance Officer							
	LDA's policy is not to make virements from non-staff to staff budgets								