

Budget and Performance Committee – 14 July 2016**Transcript of Agenda Item 6 – The Mayor’s Budget Guidance for 2017-18**

Gareth Bacon AM (Chairman): Item 6 relates to the Mayor’s Budget Guidance for 2017/18. Our new guests for this section are household names in City Hall, but for the record we have David Bellamy, the new Mayor’s Chief of Staff, Martin Clarke, the Executive Director of Resources, and David Gallie, the Assistant Director of Resources.

The briefing is quite detailed in terms of what the Mayor has proposed and our purpose in having this hearing is for the Mayor’s office to explain what they are doing and why. What changes has the Mayor decided to make and why has he decided to make them?

David Bellamy (Mayor’s Chief of Staff): Good afternoon, everyone. There are two changes that I would pick out. The first is initiating the process earlier than in previous years. That is really to allow functional bodies extra time to prepare their submissions and also, recognising that we have a new Mayor, recognising that more time should be needed to work on the budget in order that they can adjust their plans to meet the new Mayor’s priorities.

As part of that, we also see the introduction of an initial budget submission. That is the process that will be gone through, in getting to the point of a formal submission at the end of November 2016, to just be a milestone to allow us to see where the functional bodies are, check their plans as they pull them together, match in the discussions that have taken place to date and give us a view to allow us to see what the areas of focus need to be in the last few weeks before the formal submission.

Gareth Bacon AM (Chairman): Is that designed to be a challenge stage? When I read it, that is what it felt like to me.

David Bellamy (Mayor’s Chief of Staff): Some people have used the phrase ‘Star Chamber’. It is not a phrase that I am personally trying to use when we are dealing with colleagues here, but very much we want to see a collaborative engagement process throughout and work with colleagues from other functional bodies. They have been working with the Mayor and with mayoral advisors to ensure that they fully understand the new Mayor’s priorities and are recasting their activities already. It is very much about saying, “OK, let’s work together through the budget to understand the big challenges and the choices”, and we will gradually work through that and, through that process we should be able to gain a better understanding and ask the right questions to ensure that ultimately the Mayor is satisfied with what has been proposed to him.

Gareth Bacon AM (Chairman): Is it envisaged that the initial submissions will be made available to the Assembly for the Assembly to scrutinise?

David Bellamy (Mayor’s Chief of Staff): The initial submissions we are viewing as private advice to the Mayor and so we are not envisaging that they will be shared. What we are envisaging is that the outcome of the Mayor’s deliberations will be announced in November 2016 when he consults the functional bodies on budget proposals.

Gareth Bacon AM (Chairman): You will have the challenge process - or whatever we are going to call it - before that?

David Bellamy (Mayor's Chief of Staff): Yes, before.

Gareth Bacon AM (Chairman): The initial budget guidance would be issued in November. Is that what you are saying?

David Bellamy (Mayor's Chief of Staff): Yes.

Gareth Bacon AM (Chairman): I am looking at the officers. That will then be subjected to the usual scrutiny process through this Committee and the other committees. Is that correct?

Martin Clarke (Executive Director - Resources, Greater London Authority): Yes. For Members who have been here previously, it will follow the usual process.

Gareth Bacon AM (Chairman): That would be budget scrutiny really in January 2017, straight after Christmas?

Martin Clarke (Executive Director - Resources, Greater London Authority): At the end of November you can do a scrutiny and be consulted on emerging proposals to the GLA by the mayoral elements. Then it is anticipated following the publication of the Mayor's budget proposals sometime in December, depending on the Government timetable, etc, you will then have the detailed process of scrutiny before the Mayor formally presents towards the end of January.

Gareth Bacon AM (Chairman): That is as per the usual process?

Martin Clarke (Executive Director - Resources, Greater London Authority): There is no change at all.

Gareth Bacon AM (Chairman): The key change then is simply the initial submission that is internal to the Mayor and his team rather than something the Assembly would have sight of and it would clarify as mayoral advice rather than formal submissions. Correct?

Martin Clarke (Executive Director - Resources, Greater London Authority): Correct.

Keith Prince AM: Could you explain to me please what does the Mayor mean when he says he wants to "decouple" sources of income from the spending needs of the GLA? Which parts of the GLA group are likely to benefit from this decoupling and which are not?

David Bellamy (Mayor's Chief of Staff): The first principle is that the Mayor believes that the spending needs of each member of the GLA group should be determined based on his assessment of the merits of the resources they need and not based either on historic spending allocations nor, alternatively, on the ebb and flow of income levels for any particular tax or general grant. A natural consequence of increased financial devolution to London is that the Mayor becomes the decision-maker about how GLA group income is used - that is the fundamental principle of devolution.

What I would say in terms of the decoupling is that, firstly, I would not see it as some kind of zero-sum game of winners and losers. The idea is to allocate resources based on the actual assessed needs across the GLA group for the benefit of Londoners. This approach is not in any way about prejudicing the allocation that will

be made to a functional body. It is about saying, "Let's make it on the merits." Were a particular tax income to fall, it does not necessarily mean that the income due to that functional body should fall. Let's look at the merits of what income it actually needs within the overall available resources.

Keith Prince AM: Effectively, to give an example, you may be saying, for instance, that Transport for London (TfL) had lots of tax benefits but had more money than it needed and so that money could then be spent in another department completely like the Mayor's Office for Policing and Crime (MOPAC)?

David Bellamy (Mayor's Chief of Staff): Yes. If Functional Body X traditionally had received income from a particular tax – let's say business rates – and if the business rates income were to rise, it does not automatically mean that it is the most deserving recipient of that extra income. What we are trying to do in this decoupling is say, "The income we have is the income we have and decisions are made about that as necessary. Where should that be allocated on the merits of where is the greatest need in terms of most priorities to serve Londoners?"

Keith Prince AM: I get that. Of course that might be deemed to be a disincentive to that particular body then, might it not, if it does things in a more efficient way and gets benefits and then is not able to keep those benefits?

David Bellamy (Mayor's Chief of Staff): The Mayor has been very clear in his guidance that we want to see efficiencies and we want to see savings and that the organisations that demonstrate they are efficiently run are going to be more deserving in terms of receiving additional income because they have proved that they can do a good job with taxpayers' funds.

Keith Prince AM: What you said a couple of seconds ago does not quite match with what you are saying now, does it? What you are saying is that this decoupling process means that if an organisation does particularly well or generates extra income, however that might be, if that extra income is deemed to be more worthy somewhere else it would lose that extra income. Where is the incentive?

David Bellamy (Mayor's Chief of Staff): When you talk about income here, we are talking about income that comes to the GLA group, to the Mayor, in terms of council tax, business rates and revenue support grants. It is for the Mayor to decide that and not the automatic property of any group. Each functional body has income streams and those income streams become part of their budget. The incentive for them to look for efficiencies is the more effectively they are run, the more they can deliver and the more they can show to the Mayor that they are worthy of additional income from him; whereas if people are not delivering efficiencies, then they can work within the money they were previously allocated, or indeed less, because there are things they can do to work within that lower income level.

Keith Prince AM: OK. That gives me a better understanding.

Len Duvall AM (Deputy Chair): I have a comment about decoupling. With any decoupling, show me what that income is that we are looking at because I am still not quite clear in terms of what you want to try to achieve. I understand the issue about the Mayor and the direction of the Mayor because it is all the Mayor's money. That has always been the case in the previous years.

Tell me. Paint me a picture. Give me an example of a bit of the process where the Mayor might shine a torch on that. We are only saying for instance and no one is going to hold you to it and say it is definitely going to happen, but just give me an example.

David Bellamy (Mayor's Chief of Staff): What the process is doing is saying that whereas before there has been a kind of initial proposal about, "This is how much a functional body would get from council tax, this is how much from revenue support grant and this is how much from retained business rates", we are saying to the functional bodies, "You do not need to concern yourself about that. You need to concern yourself about the income level that the Mayor will grant to you". The final decision about saying, "This amount of your income came from council tax or came from business or whatever", is one where there are some technical considerations about how those allocations are made. The essence of the decision is that functional bodies should just think about their total income levels. I am not sure if that is helping in answering the question.

Len Duvall AM (Deputy Chair): Look, it is very simple. You are telling me that I have so much money to spend; I am going to give you the service and the priorities according to your manifesto and other items that you may want in terms of a conversation; I am going to try to deliver that but you are going to have to tell me what that total is. Or do I make that up myself? Do I put a bid in and say, "I will take a punt on this new Mayor and I will say that I want X and all the rest of it. I know I am going to get scaled back to Y, but I am going to protect my core budget"? Or, I am not clear from here, which is nothing wrong but it is very different from what we have had in the past, are you telling those organisations to do a root-and-branch service review about what they are spending money on and the outcome of that money in terms of delivery to justify to the Mayor what their budgets are about. What are we talking about here?

David Bellamy (Mayor's Chief of Staff): What we are talking about is that, given there are a number of uncertainties about income levels for next year as they are set out in the guidance, we are asking for initial planning to be made on the basis of the cash totals that organisations have this year. What we are saying is, "We want you to work on the assumption that that is how much income you will have next year and we want you to show, firstly, what efficiencies and savings you can achieve and how you work out of that and, secondly, again within that overall income total, how you can adjust what you do to deliver the new Mayor's priorities". The third thing we are asking is a separate thing, "Having done that, if there were more money allocated to you, what things could you do in order to deliver additional priorities for the Mayor?"

Len Duvall AM (Deputy Chair): At what stage would that happen? Is that the advice-giving stage before you do the final bit? When does that bit come into the process?

David Bellamy (Mayor's Chief of Staff): That will run through the process into the formal submissions that are made to the Mayor in November. We will be looking at that through the private process as well. The initial focus is going to be about what efficiencies there are there and about the key initial priorities that I am sure functional bodies are already looking at. Then, having got through that, people will then think about the bids for things that they may feel they can do had they more resource available.

Keith Prince AM: This is 2.4 in the briefing for those who want to follow it. "The Mayor has set out a number of steps to try to incentivise savings and efficiencies across the GLA group. Not only has he, initially at least, frozen discretionary revenue income allocations to the GLA functional bodies in cash terms", and then it goes on. I am intrigued to know what a "frozen discretionary revenue income allocation" is.

David Bellamy (Mayor's Chief of Staff): It is the same cash totals as this year.

David Gallie (Assistant Director - Group Finance, Greater London Authority): Is it worth me just trying to clarify that a little more? Essentially, what we have tried to do is to put in number form the commitment that David [Bellamy] has described around ensuring that each functional body has the same cash on a like-for-like basis. That is not wholly possible across the GLA group because there are a number of adjustments that we need to make, one of which is reflecting changes such as TfL capital grants being devolved into business

rates. A further change arises on the situation of MOPAC and the need to adjust council tax to avoid potentially triggering a referendum. It is a very complicated exercise to try to get that equivalent commitment, but we hope the guidance has numbers that functional bodies understand and can work with.

Keith Prince AM: A “frozen discretionary revenue income allocation” is giving them the same cash as they had before?

David Gallie (Assistant Director - Group Finance, Greater London Authority): On that like-for-like basis, given that there will be changes that will come through in 2017/18 from 2016/17.

Keith Prince AM: I just wondered what it meant. That was all.

David Bellamy (Mayor’s Chief of Staff): I emphasise that that is an interim planning assumption in order to enable us to go through the budget process and do the internal scrutiny.

Keith Prince AM: Yes, I have it. Can I ask then, how much the Mayor will judge whether the GLA and individual functional bodies have identified appropriate amounts of savings and efficiencies?

David Bellamy (Mayor’s Chief of Staff): That will be based on the submissions made by the GLA and the functional bodies. The discussions will take place during the next few months and that will involve things like comparing the approaches between different functional bodies. Where Functional Body A identifies a saving we can then ask, “Have the other functional bodies already made that saving? Is it appropriate? Is it something that they have looked at?” It will also keep an eye on progress with collaborative procurement and working together as a group, which is very important to us. It will also recognise that different parts of the GLA group have differential access to generate savings and efficiencies. Clearly, TfL and the Old Oak and Park Royal Development Corporation are in a very different place in terms of scale and what options are available to them. The clear point is that the Mayor expects that areas that are not demonstrating efficiencies through that process will receive a relatively lower level of resourcing compared to better planned areas.

Keith Prince AM: If they make the efficiencies they get the money; if they do not make the efficiencies they do not get the money?

David Bellamy (Mayor’s Chief of Staff): If they do not make the efficiencies then they can expect to see relative reduction in income levels in order that they can get on and make the efficiencies.

Gareth Bacon AM (Chairman): Do you have a target for that?

David Bellamy (Mayor’s Chief of Staff): No. We are starting with a fairly fundamental review as a new administration and we will look for as much as we can find.

Gareth Bacon AM (Chairman): In fairness to the functional bodies, there would normally be some kind of ballpark figure, say, for example, you might say “You need to find inflation in your budget. We expect you to find, say, inflation of 3%. You need to find 3% efficiency savings across the board and that is your starting point”. Is there going to be a starting point?

David Bellamy (Mayor’s Chief of Staff): The starting point will come out through working with each functional body as they say, “This is how we see things if we say this is our income level and here are the cost pressures that we face and here are some of the opportunities”. If they have particular cost pressures around

certain items of inflation, certain items of pre-committed additional expenditure, then you can start saying, "At a minimum to meet that, there is the level of efficiency savings that they need to try to generate".

David Gallie (Assistant Director - Group Finance, Greater London Authority): If I can add to that, implicit in the cash levels set out is the assumption that the previously planned efficiency savings in the budgets going forward would become a starting point for efficiency. There is a judgement we can make on the previously approached level of savings that would be made compared with what functional bodies would ultimately submit. There are some implied savings and efficiencies targets in the cash limits set.

Gareth Bacon AM (Chairman): Those efficiency savings targets were set under the previous administration, weren't they?

David Gallie (Assistant Director - Group Finance, Greater London Authority): Correct.

Gareth Bacon AM (Chairman): That presumably will be subject to variation? That would be understandable one way or the other.

David Gallie (Assistant Director - Group Finance, Greater London Authority): Indeed, depending upon the new Mayor's judgements.

Gareth Bacon AM (Chairman): When is that likely to be known? The functional bodies are being asked to do something different this time. They are going to be working through the summer to come up with their initial submission, which I am assuming would include efficiency savings proposals. Are they going to go through that process first and then the efficiency saving target will be added on top, or are they going to know in advance what sort of number they are looking to hit?

David Bellamy (Mayor's Chief of Staff): This process of engagement with the functional bodies is to look at what efficiency savings either they have identified or working with them we can identify. Therefore, it would be an iterative process working through the period up to the formal submission of the draft budget just to work through. Given that we are talking about taxpayer funds here, there would not be a point at which we would say, "Jolly well done, functional body. That is enough efficiency savings. No need to look at any more". However, clearly, through that process, you start getting a feeling for when you are reaching the bounds of what is realistic to deliver in a 12-month period.

Gareth Bacon AM (Chairman): This will not be the only budget; there will be another three that follow it. Inevitably it will be iterative and that is perfectly fair and understandable, but there will have to be a line in the sand at some point during this process for this year where you say, "That is the number we are looking to hit and you need to go away and do it".

Do you have any idea in terms of timescale when that is going to happen? Will it happen at the first challenge process? There is not an awful lot of time after that before the budget submission is made, is there?

David Bellamy (Mayor's Chief of Staff): Probably after the initial submission in mid-October is the point where we can then start saying that we are starting to get a stronger view. Because we have to go from this planning assumption that each functional body will receive like-for-like the same income as they are doing this year, we will need to move from that to what becomes the actual proposal in the draft budget that is issued in December. November will be the key time when we do that and when we feel able to take a good view on where we are going to end up as much as we can on the income side of things, based on the initial submission

that was received, the discussions before and after that, and start taking a view about where the Mayor would like the income level for each functional body to fall.

Gareth Bacon AM (Chairman): Where he would like the income level to fall? Can you clarify what you mean by that?

David Bellamy (Mayor's Chief of Staff): I mean how much income from council tax, business rates and revenue support grant he would be minded to allocate to each functional body.

Gareth Bacon AM (Chairman): This comes back to the whole decoupling question that we had earlier on. I made some notes while you were speaking and I am hoping I have clarified it in my mind, but maybe I have not and I would like you to agree or not.

Essentially, the approach to decoupling is that you want the functional bodies to work out how much they need to spend each year – let's move away from income for a moment - what they need as a budget in order to hit their priorities, having built-in efficiencies in the mayoral priorities, etc, and how that is broken down in terms of how the Mayor funds it. They are not to worry about that for the moment. That will be decided at a consolidated level later on and as part of that then there could be some proposals drawn up as to, "If we gave you more money than you are estimating you need, what would you spend it on?" Is that a fair summary?

David Bellamy (Mayor's Chief of Staff): Yes, pretty much. It is about saying, "Here is a line in the sand as an assumed income level based on what you actually get this year. What efficiencies can you drive? How can you change? What can you do within those available resources? Were more available how would you proceed?"

Keith Prince AM: The Mayor wants each part of the GLA group to focus resources on his priorities, quite rightly so, I would think, and the budget guidance states that he expects there to be a major realignment of resources.

Could you perhaps tell me what his top spending priorities are for 2017/18 and explain why these specific priorities and key deliverables are not explicitly stated in the budget guidance as they have been in previous years?

David Bellamy (Mayor's Chief of Staff): The Mayor's priorities are set out in his manifesto. The budget process is designed to ensure that the budget proposals that the Mayor brings are an accurate reflection of those priority aims and objectives within the available resources. That decision-making process then in November as we start publishing things will become clear.

We took a decision not to include the priority list within the budget guidance document for a couple of reasons. Firstly, we felt that the priorities set out by the previous administration in budget guidance were very high level and did not really inform the detailed budget preparation process. Secondly, functional bodies are already working on delivering the Mayor's priorities as defined in the manifesto. It did not seem necessary to try to define this or limit at this stage what aspects of the manifesto could be delivered next year in what after all is a financial process document and trying to capture all the things that are going on and should be looked at. We just did not feel you could do that properly in a very high-level summary list.

Keith Prince AM: I get the point you make around the manifesto and the point that it is desirable, because he has a mandate, that as many of his priorities are delivered as possible, but surely he should give an indication of which of his priorities are priorities. Should he not say, for instance, "I believe a partial freezing of

fares is a priority of mine and that is my biggest priority”, rather than leave it to the functional bodies to try to work out what he really does see as his major priorities?

David Bellamy (Mayor’s Chief of Staff): I would say that the functional bodies are clear on what the Mayor’s priorities are because from week 1 of the administration they have been meeting with him and he has been very clear with them about what the priority areas are. This budget process continues all the time as we look at how to deliver the things that are most important to the Mayor. I would say that the functional bodies are clear on what the Mayor’s priorities are.

As I say, we did not want to try to limit the areas that could be achieved in this initial budget. We want to see what they can get to and what we will be going through in the next few months is a collaborative process through which they can talk about, “You made clear that this is your top priority for us. We have implemented that. Now we are starting to look at options about these different areas. Which one of those do you feel is more pressing and we should prioritise looking at next?” That sort of engagement will go on through the summer and into the autumn as we work with functional bodies and start helping them to build those initial proposals.

Keith Prince AM: Of course when we come to do our little bit we will not know what that was, will we?

David Bellamy (Mayor’s Chief of Staff): Through all the work of the Assembly, be that the questioning directly of the Mayor, be that through the Committee work, I would say that the Assembly Members should have a very good view of what the Mayor’s priorities are and --

Keith Prince AM: Sorry to cut across you, David, but seriously what you are suggesting is that we become mind readers. I am not having a go. It would be really helpful, and in the interest of transparency, that we are informed as a body here to support the Mayor in many ways and also ultimately to vote on the budget that he puts before us, to help him. If we knew in advance what his real key priorities were when these functional bodies come to us when we do our little bit that - because all of the work will have been done in the Star Chamber or challenge section - we are of a similar mind. We may spot that something had been missed. It is not fair to expect us to try to second-guess through questioning the Mayor because we may not ask the right questions and, with all due respect to the Mayor, he is not great at answering questions directly, either. It is not fair to expect us to try to guess and work out what his priorities are. Surely, I would suggest, it would be far more sensible that the Mayor makes it very clear to us and also the public at large in this great city of ours what his core priorities are. Then we can all pat him on the back when he has delivered them.

David Bellamy (Mayor’s Chief of Staff): What I would say to that is, firstly, the Mayor was very clear in his manifesto in terms what his priorities were. There was a page. I have the manifesto here. I seem to recall it was page 8, where he set out what his priorities were. I know that at some Plenary sessions there have been explicit questions asking about what the priorities are.

I would say - and I have already commented - that the budget is designed to set out the Mayor’s priorities through what is delivered in the budget and I am sure that as you come to scrutinise that you will be looking at the things that you see in the budget and seeing if they are appropriately provided for. You will also be looking and will be scrutinising things that are not there based on both your knowledge of the Mayor and his views, and also your own views about what the city needs that you might view as missing or that should be in the budget.

Gareth Bacon AM (Chairman): In the spirit of being helpful, that is part of the budget process that we go through when we get to scrutinise it in this Committee when the functional bodies come in and also when we

go through the two rounds of the entire Assembly. Inevitably some of us may think that he has the wrong priorities, and that is what has happened in the past, and we get the opportunity to set out why we think they are the wrong priorities and what priorities he should have. The challenge process that we are inserting here I do not think is necessarily a matter for deviation from what happened before and we will still have the opportunities to query what the Mayor is doing.

Keith Prince AM: It is not a bad idea having the challenge. It is what we do in Redbridge all the time and it is a good idea. I just feel it would be helpful to have an early heads-up as to where everybody is trying to get to.

Caroline Pidgeon MBE AM: The Assembly is not going through the same process and I understand that, but what is your expectation on the Assembly's budget as a whole? Are you assuming it will stay as it is, grow or be cut?

David Bellamy (Mayor's Chief of Staff): My understanding is that that is a matter for the Assembly to say, not for the Mayor. The Mayor said in his letter to the Chair of the Assembly that he expected the same principles in terms of looking for efficiency and ensuring money is focused on priority areas to apply to the Assembly and your work in the same way as would happen in terms of other areas of the GLA group.

Caroline Pidgeon MBE AM: He was not setting any figure to cut; he was asking us to look at our budgets and be efficient. They are pretty efficient from what I have experienced over the years. We have faced quite a lot of cuts over the last eight years. Given the workload with new strategies coming through, I think --

David Bellamy (Mayor's Chief of Staff): We are both very aware of the fact that the Assembly is a body that in part exists to scrutinise the Mayor and the Mayor wishes to be respectful of that and not try to impose too much on the resources you need to perform that work. Equally, you recognise the environment in which we operate and ultimately it is taxpayers' money and so it is about getting that balance.

Caroline Pidgeon MBE AM: Thank you for that. What I am not clear about is what level of council tax you are looking at. In my memory - and I have not sat on the Budget and Performance Committee before - we had a steer from the previous Mayor that he was going to freeze it over four years or he was going to cut it or whatever. I am not clear here where we are going with council tax. It seems like we are saying to all the functional bodies, "Give us the budget that you think you need to deliver the Mayor's priorities and to deliver your services and then we are going to see how it all adds up". Are we likely to see perhaps an increase in council tax?

David Bellamy (Mayor's Chief of Staff): The approach we have taken is that given the uncertainty, around business rate income in particular, at this stage in the process we are focusing on expenditure plans at current levels, as we have discussed. That is designed to enable reprioritisation as appropriate within current income levels. Then the Mayor will be able to take views about income as some of the uncertainties become a little bit clearer and also then the allocations between the different bodies become clearer. At this stage we are waiting for some of those uncertainties, particularly around business rates, to become clearer and not taking any view in particular about any tax. The Mayor's view on council tax remains as it was in the election and as set out in his manifesto --

Caroline Pidgeon MBE AM: Remind me what that is?

David Bellamy (Mayor's Chief of Staff): -- namely that he wants council tax to be as low as possible consistent with the safety of Londoners.

Caroline Pidgeon MBE AM: That means it could go up if he felt it was needed. David [Gallie], remind me. We have about £7 or so to come off the council tax with the rest of the Olympic precept?

David Gallie (Assistant Director - Group Finance, Greater London Authority): The 2017/18 budget assumes the £8 present Olympic precept - about £22 million - would then become available to the new Mayor.

Caroline Pidgeon MBE AM: There is that money in there that could go to other services?

David Gallie (Assistant Director - Group Finance, Greater London Authority): It is presently being held in the Mayor's resilience reserve.

Len Duvall AM (Deputy Chair): That is on top of the figure that you identify from end programmes in the previous Mayor's regime; was it circa £11 million?

Martin Clarke (Executive Director - Resources, Greater London Authority): The GLA's own budget plans, which is the cash limit it is based on, if they continued unchanged there is £11.5 million a year coming available next year.

Len Duvall AM (Deputy Chair): Thank you.

Caroline Pidgeon MBE AM: You have £11.5 million and then you said - was it - £22 million? That is in the Mayor's resilience reserves but is money that could be spent on the new Mayor's priorities or --

Keith Prince AM: Just reducing people's council tax.

Caroline Pidgeon MBE AM: -- reducing council tax, well, yes. That was interesting. Thank you for that. Are you looking in this at issues around Brexit and the issues that the Mayor is having and the work on that? Are you looking to budget some specific funds maybe even for London & Partners for London promotion around the consequences of Brexit?

David Bellamy (Mayor's Chief of Staff): London & Partners had plans in place in the event of the vote that took place and so it is executing those plans. Activities are taking place this year within this year's budget in terms of things like the "London is Open" campaign. Through the budget process, one of the things that we need to do is to assess what the impact would be. Clearly, through the 2017/18 year, we will remain members of the EU --

Caroline Pidgeon MBE AM: Of course.

David Bellamy (Mayor's Chief of Staff): -- and so the question is what, if any, impact the referendum result and the ongoing negotiation process will have on group incomes and group expenditure requirements. I guess that would be a natural part of the budget discussions.

Leonie Cooper AM: Caroline has covered what I was going to ask about council tax and I had wondered about Brexit, but I am still intrigued by this early introduction and much lengthier period over the summer and up to October. Coming back to what Keith [Prince AM] was saying earlier on, I am still slightly unclear as to how effectively we can scrutinise a process that has started so much earlier - now, effectively - and is going to go on over July, August, September and up to 14 October and then we are going to come in in November to

look at something. It strikes me that an awful lot of work will have been done that we will not be party to in terms of decisions or discussions.

I just wondered whether you are really suggesting that we as the Budget and Performance Committee can effectively scrutinise the way that the budget has been put together given that there is going to be that very lengthy period before we are actually involved.

David Bellamy (Mayor's Chief of Staff): You clearly will be able to provide scrutiny on the proposed budget in the same way as in previous years because the process at that point remains as it has been in previous years. What we are saying is that the Mayor and the administration want to take longer getting to the point where that scrutiny begins because of the fact that it is a new administration and, therefore, yes, there is more work to do in terms of ensuring that functional bodies are adjusting their budgets and their plans to meet his priorities.

Leonie Cooper AM: You would not anticipate quite that length of time being taken over it in future years, but it is just in this year because it is the first year of the new mayoralty?

David Bellamy (Mayor's Chief of Staff): There is value in getting the budget guidance out early in any case just because it gives people more certainty. Just even on an administrative level and in any discussions that we will need to take, getting alignment between the budget process and the governance systems within each of the functional bodies, it is administratively helpful to get it out sooner. Clearly, as it is the first year of the administration of a new Mayor, I would imagine that, yes, this will be a more fundamental look than may be necessary in future years.

However, of course, we are going to learn through this budget process and will ensure that budget processes in future years learn from that and, hopefully, be as effective as we can be.

Gareth Bacon AM (Chairman): In fairness to the Mayor and his team, the scrutiny aspect has not been diminished for the Assembly; it is just that they have added an extra level to the beginning of the budget--setting process, which at the moment is being looked at internally rather than giving us the option to look at it. I do not think that they have tried to skirt around the Assembly in that, personally, but we need to keep an eye on that and how it goes forward. Whether this happens in future years is a very pertinent question.

Sian Berry AM: Going back to something from earlier and also the process of when we get to see things as an Assembly, I am trying to get a handle on the differences between "efficiencies" and "savings" because you have also been talking about "efficiency savings" as well and this initial cash envelope in this year's budget that you are expecting people to put in a bid for.

If I understand it correctly, you are going to have inflationary pressures on most of your budget and so making efficiencies is going to go somewhere. However, if I am right - and I know that the word "savings" has been abused and means "cuts" nowadays, generally - you are expecting some of the bodies to put forward cuts to the delivery of some things that are not the Mayor's priorities. Is that correct?

David Bellamy (Mayor's Chief of Staff): Potentially.

Sian Berry AM: All right. Because you are saying that the manifesto is the only guide to those, I agree with Keith here on this that that does leave things a little bit woolly for interpretation. I wrote a manifesto; Caroline [Pidgeon MBE AM] next to me wrote a manifesto. You cannot put everything that you want to keep the same into a manifesto. Just because you have not mentioned it, it does not mean you want it to be cut.

It worries me that some of the bodies may come forward with cuts and things that you do not want to make and there is going to be a little bit more wrangling between 14 October and 1 November when we are supposed to first see this budget, than there might be if you were putting out more guidance on what ought to be cut and what ought not to be. Does that make sense?

Keith Prince AM: You will know if they have got it wrong because it will be sorted out in the challenge process, will it not?

Sian Berry AM: There is only 14 days for that in the timetable from the submission of their first guess.

David Bellamy (Mayor's Chief of Staff): No, the timetable gives more time because the formal submission date is 30 November. Let me just get Annex A on page 16. Yes, as I said, 14 October is not the start of the challenge process. 14 October is a milestone at which we ensure the information is written down in a consistent form, which should reflect the discussions that have taken place between now and 14 October. Then from there to early November is when the Mayor can review that and then into November can issue preliminary draft budget proposals and consult with functional bodies. Then the formal responses come back in at the end of November. Throughout all of that time period, there can be discussion. However, clearly, part of the point about starting earlier is to give more time to discuss the choices and to review what activities functional bodies undertake and whether they are priorities for the Mayor.

Sian Berry AM: The timetable says that on 1 November there will be a consultation with the Assembly beginning then before 30 November.

Martin Clarke (Executive Director -Resources, Greater London Authority): Yes. What happens is that at the beginning of November the Mayor will write to all of the functional bodies with his emerging budget proposals seeking comments. Those letters have always been public and so, whatever the functional bodies get, you get. At the same time, in the GLA, we prepare a detailed GLA budget, which we seek this Committee's views on at the end of November. That bit will be reported to this Committee and so that report will be out in advance of that. The letters to the functional bodies are public and we will be asking them to respond with a submission. It is slightly different for the GLA. In a way, you are getting the draft submission to scrutinise because you also have a specific role as a consultee on the GLA's own budget as well as scrutinising the whole of the GLA group budget process. In November there will be an awful lot of information that will all be public.

Sian Berry AM: That we will all be able to scrutinise?

Martin Clarke (Executive Director -Resources, Greater London Authority): Yes. It is up to the Committee if you want to do any scrutiny on those letters or question the functional bodies to think about it in advance of those submissions. That is the situation with this Committee. However, for the GLA itself, you will get a full suite of papers on what is being planned to spend next year and forecasts for the future years and what is being planned to spend it on.

Gareth Bacon AM (Chairman): In the Mayor's Budget Guidance, there are amongst the annexes, in Annex B, templates for efficiencies and savings, templates for adjustments to the revenue budgets to deliver the Mayor's policy priorities, etc. Will these templates be available to the Assembly for scrutiny purposes?

Keith Prince AM: Completed ones, I assume, Chairman?

Gareth Bacon AM (Chairman): Yes, obviously. It is a desert out there at the moment.

Leonie Cooper AM: We have a blank one, anyway.

David Gallie (Assistant Director - Group Finance, Greater London Authority): The intention is that the initial budget submissions would not be public; they would be private submissions to the Mayor. The intention would be that the annexes you are quoting in Annex B of the guidance would not be available publicly, but the detail would emerge in --

Gareth Bacon AM (Chairman): It is rather a pity that you have said that because I have been a little bit defensive of the Mayor's line, actually, up until the point you said that because it is a legitimate line of inquiry that the Assembly might want to question why the Mayor was rejecting efficiency savings A, B, C or D or whatever and proceeding with others. If that information is going to be provided to the Mayor and the Assembly cannot see that, then the Assembly might have some questions to ask about that.

David Gallie (Assistant Director - Group Finance, Greater London Authority): If I could just continue, the intention would be that the public submission from functional bodies on 30 November would be public and that would reflect the outcome of the deliberations during October and November. The detail would be as you have had it previously in terms of details on efficiencies and savings.

Gareth Bacon AM (Chairman): The problem from an Assembly Member's point of view is that there would have been written submissions made to the Mayor about different ways of doing things and different options that the Mayor has, and the Mayor would have taken whichever path he has taken. The Assembly will not be privy to that and so the Assembly will not know what informed that decision and will be presented with a *fait accompli* to a degree. That might cause some Members some concern.

Sian Berry AM: I agree with that. Arguably, our one power is the power to set an alternative budget. If we cannot see the options available to us, it is a real problem.

Leonie Cooper AM: This extends my point about effective scrutiny if we cannot see those documents.

Caroline Pidgeon MBE AM: Yes, exactly.

David Bellamy (Mayor's Chief of Staff): What we are discussing here is the balance between transparency and effective scrutiny, versus the ability of the Mayor to receive frank, private advice and to take decisions, which is a classic trade-off that is not always easy to balance.

It is my first time around this budget process and the templates that are set out there are different from practice in previous years and so I would not want to sit here and say, "Yes, absolutely, definitely, it would be helpful for us to share those and for you to use them", but it is certainly something that we can consider as we start seeing how they are used and we can look at that balance. As you know, the Mayor does believe in transparency and does see the value of effective scrutiny and so we are happy to look at that when we get to that point.

Gareth Bacon AM (Chairman): One final question from me. It was a fairly torturous process to establish it, but there is a whole suite of key performance indicators that are set to measure the delivery of mayoral priorities. They run over the course of the whole mayoral term. When can we expect those to be revised and provided to the Assembly?

David Bellamy (Mayor's Chief of Staff): We are going to be looking at the governance processes. Performance indicators and outcomes are going to be a key part of that. Yes, that is work that I would like to start soon. It may be that we start looking at that in August. I do not want to commit to when that will be there in a public sense, but I do see it as an important thing and so we will be working through that. That, to answer earlier questions, should also give more of a view about mayoral priorities and so it will be helpful.

Gareth Bacon AM (Chairman): Can I thank our guests for their time and particularly for their patience? I do realise that you sat in the gallery for quite some time, much longer than originally intended.