

# **Response to the Mayor's draft consultation budget 2013-14**

January 2013





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**Greater London Authority  
January 2013**

Published by  
Greater London Authority  
City Hall  
The Queen's Walk  
More London  
London SE1 2AA  
[www.london.gov.uk](http://www.london.gov.uk)

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ISBN

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## Role of the Budget and Performance Committee

The Budget and Performance Committee scrutinises the Mayor's annual budget proposals and holds the Mayor and his staff to account for financial decisions and performance at the GLA. The Committee takes into account in its investigations the cross cutting themes of: the health of persons in Greater London; the achievement of sustainable development in the United Kingdom; and the promotion of opportunity.

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# 1. Introduction

- 1.1 This is the Budget and Performance Committee's response, on behalf of the London Assembly, to the Mayor's draft consultation budget for 2013-14.<sup>1</sup> It draws on the Committee's previous work on the budget, including our review of the Budget Guidance document in July, the core GLA's draft budget in November and the Committee's Pre-Budget Report in December.<sup>2</sup> The Committee also held meetings to discuss the draft consultation budget with the functional bodies (9 January) and the Mayor (14 January). This response sets out the Committee's views on the key issues arising from the budget and is intended to inform the next stages of the budget-setting process.<sup>3</sup>
- 1.2 The Mayor is confident that police and fire services will be able to maintain and improve safety for Londoners despite the major budget cuts they face over the coming years. If managed correctly, cuts can help drive reforms that make sense in terms of funding and performance, but they must be based on robust evidence and take local concerns into account. They must also be designed with a long-term view in mind, and not just to meet short-term budget pressures.
- 1.3 The savings programmes in the police and fire services – and the budget itself – are dependent on the proposed closures of police and fire stations. These changes are generating understandable concern among some local residents who are worried that they will not receive the same level of protection they currently enjoy. The Mayor will need to reassure Londoners that safety will not be jeopardised because of these changes, which would be very difficult to reverse.
- 1.4 The Mayor's second priority, after making London safer, is to generate jobs and growth, and he clearly sees investment in Transport for London (TfL) as the best way of achieving this. This year, as in previous years, he has chosen to allow TfL to retain all of its additional and unanticipated revenue to increase its investment programme. The Mayor could have used this money to provide temporary relief on fare increases, or to support the fire or police services, or invest in affordable housing or other growth projects. It is important that the Mayor is able to explain to Londoners the basis of this decision.

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<sup>1</sup> Mayor of London, *Group Budget Proposals and Precepts 2013-14 – consultation document*, 2 January 2013 ("draft consultation budget").

<sup>2</sup> Mayor of London, *The Mayor's Budget Guidance for 2013-14*, 27 June 2012; *Draft GLA Budget for 2013-14*, 14 November 2012; Budget and Performance Committee, *Pre-Budget Report 2012*, December 2012.

<sup>3</sup> The Assembly will put questions to the Mayor on his Draft Consolidated Budget and Final Draft Consolidated Budget at its meetings on 8 and 25 February.

## 2. Police and fire reforms

- 2.1 London's police and fire services are about to undergo a profound period of change as budget reductions are made, police and fire stations closed and workforces reduced and reorganised. The Mayor's Office for Policing and Crime (MOPAC) is currently consulting stakeholders on the proposed reforms to the Metropolitan Police Service (MPS), including holding public meetings in every borough. The London Fire and Emergency Planning Authority (LFEPA) will shortly be consulting its stakeholders, although the details of this consultation are yet to be resolved. Nevertheless, there are still many gaps in the information needed to make that consultation process as meaningful as it might be. For example, although the police and fire stations earmarked for closure are now in the public domain, the financial implications of each closure have not been revealed. There is also no information available on the costs of opening new, alternative contact points for the police, and there is still some confusion about the purpose those contact points will serve.
- 2.2 Final decisions on these estates rationalisation programmes will have to be taken soon if MOPAC and LFEPA are to achieve the savings needed in the police and fire budgets for 2013-14 and 2014-15. In the case of LFEPA, the Mayor has indicated that he will issue a formal direction to ensure the consultation on the rationalisation programme goes ahead as planned, in light of LFEPA's vote against it.<sup>4</sup> Furthermore, given the importance of this element of reform to meeting their savings requirements, it is not clear how much weight will be given to local concerns. The sensitivity around the closure of police and fire stations and other key buildings presents a risk that these savings may be delayed if local opposition makes closures politically unacceptable.
- 2.3 It is important that estates rationalisation is done properly, and takes into account the best evidence available as well as understandable public concerns. Unlike changes to the workforce, asset sales cannot be easily reversed and reforms need to look to London's long-term needs, particularly in view of the forecast growth and development of London over the coming years. Finally, it is also important that any asset sales generate the best possible returns that can be reinvested back into the fire and police services, and that sales are managed in a holistic way from a GLA-wide perspective.
- 2.4 The impact of estates rationalisation and other reforms to the fire service, according to LFEPA's modelling, is that response times will increase in more than half of London's boroughs.<sup>5</sup> However, average response times will not exceed the six minute target in boroughs where this target is currently met, and four boroughs will be brought within the eight minute target for second

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<sup>4</sup> LFEPA voted to amend the planned consultation on the draft Fifth London Safety Plan 2013-2016 so that all mention of fire station closures and appliance and fire staff reductions were removed. LFEPA Full Authority meeting, 21 Jan 2013.

<sup>5</sup> LFEPA paper FEP 2021, *The draft Fifth London Safety Plan 2013-2016*, appendix E.

appliance response. The Commissioner is satisfied the reforms will not have a “significant detrimental impact upon the safety of Londoners”.<sup>6</sup>

- 2.5 Although the police estate is being reduced, the Mayor has committed to maintaining police officer numbers at or around 32,000. The Mayor told the Committee that keeping officer numbers high was important for public confidence:

*I think that it is important, as the person democratically accountable for policing, to see that numbers of police officers is something that the public really respond to, that the numbers we can put out there on the street make a huge difference to confidence, and I think it is part of my job to make the case for numbers.*

- 2.6 The commitment for 32,000 officers is a key influence on MOPAC’s budget. One of the consequences is that the number of supervisors and civilian staff is being reduced. Whilst there may be room to reduce the ratio of sergeants to constables, there is a risk that this change could affect performance, particularly during a period of such profound change for the police.
- 2.7 In the Pre-Budget Report the Committee asked the Mayor to provide Operational Policing Measure analysis of the police workforce for the rest of the Spending Review period in the draft consultation budget.<sup>7</sup> This information was not provided, but the Mayor has committed MOPAC to providing this analysis when it has been finalised. However, this information is relevant to the Assembly’s scrutiny of the Mayor’s budget and we therefore urge the Mayor to provide this in the draft consolidated budget so we can see, for example, how officers are going to be deployed between back office and front-line roles.<sup>8</sup>

### **Recommendation 1**

The draft consolidated budget should set out the financial implications of the estates rationalisation programmes for the fire and police services. In particular it should detail the budgeted savings from closing fire and police stations, and the budgeted costs of new police contact points.

### **Recommendation 2**

Alongside the draft consolidated budget the Mayor should provide projections for the MPS workforce over the remainder of the Spending Review period using Operational Policing Measure analysis.

<sup>6</sup> LFEPA paper FEP 2021, *The draft Fifth London Safety Plan 2013-2016*, paragraph 12.

<sup>7</sup> *Pre-Budget Report 2012*, page 19.

<sup>8</sup> The Deputy Mayor for Policing and Crime agreed with our previous position that OPM analysis should be provided using Her Majesty’s Inspectorate of Constabulary’s format, which would allow for comparisons with other forces. Budget and Performance Committee meeting, 9 January 2013.



### 3. TfL and the fares decision

#### *Fares*

- 3.1 Before last year's election the Mayor said that fares would "go down in an honest and sustainable way".<sup>9</sup> He has not clarified this statement, and has instead approved an above-inflation increase in the first year of his Mayoral term, rising by an average of 4.2 per cent from 2 January 2013.<sup>10</sup> In doing this, the Mayor has chosen to prioritise additional funding for investment over reducing fares in 2013.
- 3.2 It is still not clear what advice TfL is providing the Mayor to help him make his fares decision. We have questioned TfL's lack of transparency for several years and we ask the Mayor to fulfil his manifesto declaration that "Londoners deserve honesty and openness over fares setting".<sup>11</sup> It is impossible for the Assembly, and Londoners, to assess the fares decision with the information currently available. We would also argue that the Mayor should be able to demonstrate to Londoners that the fare increases are really necessary to maintain and improve the transport infrastructure.
- 3.3 In the Committee's Pre-Budget Report we asked the draft consultation budget to include a clear explanation of the impact of inflation-only increases in 2014 and 2015 on TfL's Business Plan. This was not provided to any meaningful level of detail and we repeat our request for the specific implications for TfL's business plan of inflation-only increases in fares for the next two years.
- 3.4 As part of TfL's business planning process it must produce analysis based on alternative fares decisions. For future fares decisions we recommend that the Mayor should require TfL to publish at least three different scenarios each year to inform the debate around fares. We suggest: no increase in average fares; an increase equal to the Retail Prices Index (RPI) measure of inflation; and an increase of RPI plus one per cent (or whatever limit the government imposes on fare increases). This would allow the Assembly and others to judge for themselves whether the Mayor has struck the right balance between investment in the transport network and fares affordability.
- 3.5 When the Mayor was asked whether TfL did indeed provide him with different scenarios before he made his fares decision he was unwilling to explain the nature of the advice he received:

*I do not want to go into all the bits and bobs of the advice.*

*There is a very exhaustive process and all sorts of interesting scenarios are discussed, but I see no reason to elaborate.*<sup>12</sup>

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<sup>9</sup> Boris Johnson speaking on the London Mayoral debate programme aired on BBC television on 22 April 2012.

<sup>10</sup> Mayoral Decision MD1090, *2013 Fares Decision*, 7 November 2012.

<sup>11</sup> *Investing in transport*, Boris Johnson Election Manifesto, March 2012.

<sup>12</sup> Boris Johnson speaking at the Budget and Performance Committee meeting on 14 January 2013.

- 3.6 The Mayor's fares decision arguably has a more direct impact on Londoners than any other single decision he is required to make, and it is one that many Londoners would like to understand properly.<sup>13</sup> This continued refusal to provide more information regarding the basis for the fares decision does not reflect the Mayor's stated commitment to transparency, and leaves the Assembly unable to scrutinise the fares decision effectively.

#### *Savings*

- 3.7 The consultation budget states that TfL will be able to make £134 million of savings in 2013-14, significantly more than its target of £24 million. While TfL has already made significant savings in recent years its target for 2013-14 is much lower than the targets set for other parts of the GLA Group, when expressed as a percentage of net revenue expenditure (1.2 per cent for TfL compared to 5 per cent for MOPAC and 7 per cent for LFEPA).<sup>14</sup> As the Committee has previously noted, TfL has been able to generate savings relatively easily in recent years (although savings may become harder to make as efficiencies are found).<sup>15</sup> In the Budget Guidance document for 2014-15 the Mayor must demonstrate that the savings targets for each part of the GLA Group are suitably challenging. For TfL in particular the Mayor must be able to make an informed and independent assessment of what level of savings would be appropriate.<sup>16</sup>

#### **Recommendation 3**

The draft consolidated budget should include a more detailed explanation of the impact on TfL's business plan of inflation-only increases to fares in 2014 and 2015. It should clearly set out the investment projects affected and the impact this would have on services and passengers.

#### **Recommendation 4**

The Mayor should commit to publishing TfL's advice on fares in advance of his annual fares decision. We would expect this to include at least three different fares and investment scenarios for TfL to allow the Mayor to make an informed decision: a) no increase in fares, b) an increase in line with RPI, and c) an increase of RPI plus one percentage point. These could be altered in light of an announcement by the government to cap

<sup>13</sup> The latest London Survey (2011) indicates that Londoners are more concerned with tube and bus fares than they are with either reliability or overcrowding.

<sup>14</sup> Savings targets taken from *The Mayor's Budget Guidance for 2013-14*, page 4; net revenue expenditure figures taken from *Group Budget Proposals and Precepts 2013-14 – consultation document*, pages 26 and 31.

<sup>15</sup> Budget and Performance Committee, *Pre-Budget Report 2012*, page 14.

<sup>16</sup> TfL must make £89 million of new additional savings in 2014-15, equivalent to 5.3 per cent of its net revenue expenditure that year. *The Mayor's Budget Guidance for 2013-14*, page 4.

fare increases.

**Recommendation 5**

The Mayor should set out the rationale behind the savings targets for the GLA Group in each year's Budget Guidance document. This should include more detailed information about the savings programmes for each functional body and how the Mayor has satisfied himself that the savings targets are challenging yet achievable.

## 4. Mayoral priorities and financial flexibility

- 4.1 From 2013-14 a share of business rates will be retained locally, and be available for the Mayor to allocate across the GLA Group (excluding MOPAC).<sup>17</sup> The GLA Group will receive nearly £1.3 billion of business rates income in 2013-14, of which £342 million will be paid to the government as a tariff payment to support local government services elsewhere in England. Of the remaining £944 million, £803 million will go to TfL, £109 million to LFEPA and £32 million to the GLA.<sup>18</sup> In theory the Mayor is free to allocate this £944 million as he wishes, but he has stated that it would be “imprudent to ignore” the advice from the Secretary of State for Transport that the new arrangements should not lead to any reduction in funding to TfL during the current Spending Review period.<sup>19</sup> We understand that, if the Mayor did choose to transfer money away from TfL in this way, the government would be likely to react by reducing its own funding to TfL. We therefore understand the Mayor’s reluctance to make use of this theoretical flexibility in his budget for 2013-14, but we would ask the Mayor to examine the possibility of doing so from 2014-15 onwards, which will fall in the next Spending Review period.
- 4.2 The Mayor has also argued that diverting money from TfL to fund other services would not be in London’s best interests:

*the argument has been successfully made to me that we need to continue with our capital investment programme at TfL and that the reform programme that the police and the fire services are engaged upon can be completed and can be conducted without it being necessary to raid TfL, to put it in crude terms.*<sup>20</sup>

Opinions will naturally vary on whether the Mayor has chosen the right set of priorities in his budget, but it should be generally accepted that the Mayor must be able to support his arguments with evidence. A key element of the Mayor’s reasoning is that transport investment is the most effective way of driving growth and jobs. Indeed, TfL told the Committee that it specifically looked for projects that would promote economic growth, jobs and housing when it drew up its ten-year business plan. However, the Mayor has not demonstrated that additional investment in transport will be more effective than greater investment in other areas such as affordable housing or energy efficiency programmes.

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<sup>17</sup> In line with the policing bodies in the rest of England, MOPAC will not be financed via rates retention. See Mayor of London, *Group Budget Proposals and Precepts 2013-14 – consultation document*, Appendix G.

<sup>18</sup> Mayor of London, *Group Budget Proposals and Precepts 2013-14 – consultation document*, page 81.

<sup>19</sup> Mayor of London, *Group Budget Proposals and Precepts 2013-14 – consultation document*, page 3.

<sup>20</sup> Boris Johnson speaking at the Budget and Performance Committee meeting on 14 January 2013.

- 4.3 These choices will become increasingly important as the GLA benefits from its share in any growth in business rates income.<sup>21</sup> The Mayor has not yet explained how he might allocate any such additional income. It might, for example, be allocated in line with the split of retained business rates in the 2013-14 budget. Alternatively, the Mayor could choose to allocate all additional income to TfL's investment programme, if he believes that this is the best way to generate further growth. It would be helpful for the Mayor to explain his thinking in the draft consolidated budget.

#### **Recommendation 6**

In the draft consolidated budget the Mayor should set out his overall principles regarding how he intends to use the financial flexibility available through business rates retention in future budgets. It would be helpful if he could clarify whether he is ruling out transferring funding from TfL under this arrangement for the rest of his term of office and, if so, why. It would also be helpful if the Mayor could outline how he might allocate any increase in business rates income, and how this might be informed by his belief that TfL is particularly effective at driving economic growth in London.

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<sup>21</sup> Only business rates growth resulting from physical increases to the tax base will be retained locally; increases resulting from rent rises will flow to the government.

## 5. Linking the budget to performance

- 5.1 In the Committee's Pre-Budget Report we asked the Mayor to include performance targets for 2013-14 for each part of the GLA Group in his budget. Including this kind of information would allow people to assess the Mayor's priorities and see what he intends to achieve with the funding available. At the end of the year people would then be able to assess how well the money had been spent, and how well the different parts of the GLA Group performed in relation to their targets.
- 5.2 The Committee was disappointed to note that the draft consultation budget did not provide the information we had asked for. Although it provides a list of "deliverables" for each functional body, they are long-term objectives, rather than performance targets for 2013-14. For example, TfL's deliverables are taken from its 10 year business plan, and include long-term programmes such as upgrading the Northern and Sub-Surface tube lines. Even the target for tube reliability relates to a 30 per cent improvement between 2011 and 2015. There is still no way of linking the funding for 2013-14 with the performance targets for 2013-14.
- 5.3 It should be possible for each part of the GLA Group to set out in simple terms what it will achieve in 2013-14 with the funding it will receive. They already release this information in various public documents so it should be relatively simple to bring this into the draft consolidated budget in February, in place of the longer-term objectives the budget currently contains. Allowing Assembly Members and Londoners to see how the budget will be used to improve services over the coming financial year should be an essential element of the Mayor's budget document.

### **Recommendation 7**

The draft consolidated budget should include performance targets for the GLA and each functional body that relate specifically to 2013-14.

# Appendix 1 Recommendations

## **Recommendation 1**

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## **Recommendation 5**

The Mayor should set out the rationale behind the savings targets for the GLA Group in each year's Budget Guidance document. This should include more detailed information about the savings programmes for each functional body and how the Mayor has satisfied himself that the savings targets are challenging yet achievable.

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In the draft consolidated budget the Mayor should set out his overall principles regarding how he intends to use the financial flexibility available through business rates retention in future budgets. It would be helpful if he could clarify whether he is ruling out transferring funding from TfL under this arrangement for the rest of his term of office and, if so, why. It would also be helpful if the Mayor could outline how he might allocate

any increase in business rates income, and how this might be informed by his belief that TfL is particularly effective at driving economic growth in London.

**Recommendation 7**

The draft consolidated budget should include performance targets for the GLA and each functional body that relate specifically to 2013-14.



# Appendix 2 Orders and translations

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Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

### Greek

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### Punjabi

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### Hindi

यदि आपको इस दस्तावेज़ का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

### Bengali

আপনি যদি এই দলিলের একটি সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফোন করবেন অথবা উল্লিখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

### Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

### Arabic

الحصول على ملخص لهذا المستند بلغة،  
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العنوان البريدي أو عنوان البريد  
الإلكتروني أعلاه.

### Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોડતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઇ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

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