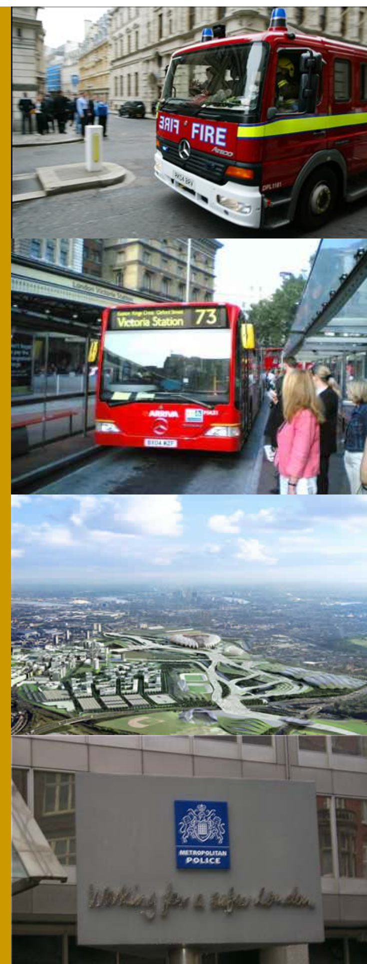
LONDONASSEMBLY

Budget Committee

Pre-budget report

London Assembly Budget Committee
November 2005



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The Budget Committee's general terms of reference are to examine at each stage of the consultation process the Mayor's budget proposals for the next financial year and to report to the London Assembly thereon as necessary. It can also examine, monitor and report to the London Assembly from time to time on matters relating to the budgets and performance of the Greater London Authority (GLA) and the Functional Bodies.

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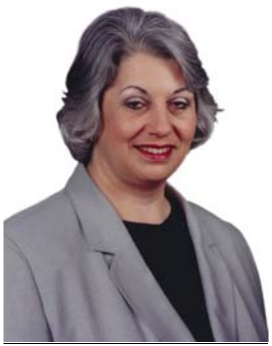
Contents

Chair’s foreword



Budget-setting is always a matter of balancing services and taxation - or taxation and services. There are different views as to which is the first consideration, or indeed whether the whole thing is circular.

The Mayor has himself several times recently commented that the precept has reached the level that most council tax payers can bear, and this report comments on the precept level. I am well aware that calling for the smallest possible increase in the precept will mean different things to different people, but in a year which will see a big hike as the Olympics precept kicks in, the cash amount and the increase will be under the spotlight.

There are obvious pressures this year, and there will undoubtedly be public support for extended neighbourhood policing and counter-terrorism measures in particular. But the Mayor must not use this to avoid justifying his budget in full, including these items. We have based our report on a number of criteria, focusing on examining what has been, and will be, promised. Whatever the precept, Londoners should see value for their money.

They are entitled to ask: Is the Oystercard working? Is crime dropping? Has the Mayor delivered on what we were previously led to expect? What are his - and our - real priorities among the many things he has said he would like to spend on? They are also entitled to question the precept in the context of the major components of income: Government grant (and the pressures on London as the capital, especially this year for policing, are an issue) and fares, which are a substantial "levy" on many Londoners.

We asked the Functional Bodies whether the Mayor's Budget Guidance, published in the summer, had been useful. They all said that it had (though a cynic might say: they would, wouldn't they?). We have therefore raised a number of points with the Mayor whose initial draft budget for the GLA exceeds his own guidance by quite some margin, and which is less than transparent as to the expenditure which he proposes on the Games above the £20 a year at Band D about which London has heard so much.

We trust that the Mayor, among others, will accept that to question particular budget lines and call for complete frankness is not necessarily opposition. The Assembly's task is to hold the Mayor to account, and our scrutiny is designed to do just that.

Sally Hamwee
Chair, London Assembly Budget Committee

Executive summary

On the eve of the Mayor issuing his 2006/7 draft budget for consultation, the Budget Committee gives notice of some criteria against which we will assess the draft budget.

Additional funding for counter-terrorism should be provided by Government.

The terrorist attacks in July 2005 have highlighted the importance of ensuring that there is sufficient counter-terrorism and resilience provision in London. They have also illustrated the significant financial impact of major incidents in the capital. The police operations following the terrorist attacks incurred substantial costs which, to date, have been met only partially by Government and which have placed pressures on existing budgets. Counter-terrorism and resilience work relates to London's position as a capital city. It should, therefore, be funded by national taxation rather than council tax.

The draft budget should identify clearly the expenditure on the 2012 Olympic and Paralympic Games by each member of the GLA Group and what the designated council tax precept for the Games will and will not fund.

The opportunity to host the 2012 Olympic and Paralympic Games is a great achievement for London. Over time, it will have significant budget and resource implications for all members of the GLA Group; in the short term, it affects the London Development Agency and Transport for London which have to deliver key land and transport requirements for the Games. A substantial proportion of funding for the Games will come from the public. Up to £625 million from London's council tax payers and a further £1.5 billion from the National Lottery. Londoners will also contribute through national taxation. We would expect clarity on what each member of the GLA Group is spending on the Games and what Londoners will be getting for their contribution.

There should be rigorous examination of funding for major initiatives.

Some of the major initiatives to be delivered by members of the GLA Group in 2006/7 warrant further consideration. There are, for example, concerns that an accelerated roll out of Safer Neighbourhood Teams could result in community policing with reduced resources and supporting services. Changes to the Congestion Charging Scheme such as extending it westwards and increasing the charge from £5 to £8 will have an impact on expenditure and income that have not yet been made clear. The opening of offices abroad to realise increased investment from rapidly growing economies could involve significant expenditure for which the measurable outcomes are not yet obvious. We would expect a full examination of the funding for these and other major initiatives to ensure they represent value for money.

The draft budget should demonstrate increased efficiencies and savings across the GLA Group.

In recent years, members of the GLA Group have had to realise savings and efficiencies targets across their existing services and structures. We will inquire whether these have had a noticeable impact on the budget by reducing the requirement for external funding including the call on the council tax precept.

The draft budget should result in the smallest possible increase in the council tax precept.

The proportion of the overall budget funded by council tax is small. Most funding for the Mayor's budget comes from Government grant and fares income. However, the Mayor has asked relevant members of the GLA Group to limit their call on the council tax precept in 2006/7 to an increase of 5.5%. He has commented on a number of occasions that Londoners might have reached the limit in the amount of council tax they are prepared to pay. In 2006/7, Londoners will begin to contribute through council tax towards the cost of the 2012 Olympic and Paralympic Games. From January 2006, there will be increases in cash fares on the Tube and buses.

The draft budget should provide clear information on proposed expenditure and be consulted upon widely.

We have extended our understanding of what Londoners think about the Mayor's budget this year by undertaking consultation. Our focus groups revealed that some Londoners have little awareness of the responsibilities of the GLA Group and its sources of funding. Some external stakeholders including residents' associations have given us their views on budget matters. Clearly, there is interest in what the Mayor spends money on and there should, therefore, be full details on all proposed expenditure. This is particularly true when there will be significant demands on the budget from counter-terrorism and the 2012 Olympic and Paralympic Games.

1. Introduction

1.1 In December 2005 the Mayor will release his draft 2006/7 budget for consultation. This will be the sixth budget since the GLA was formed and the sixth of the current Mayor.

1.2 The 2006/7 budget will be influenced by events which occurred in 2005: the award of the 2012 Olympic and Paralympic Games to London, the terrorist attacks in London and the Mayor's commitment to rolling out Safer Neighbourhood Teams.

1.3 As always, what the budget will be spent on and how it will be funded are important. Value for money must be assured - the consolidated (GLA Group) budget represents over £1,000 of expenditure for every Londoner.[1] We have, therefore, established some criteria against which to assess the budget. These criteria are benchmarks and we will measure the extent to which the Mayor addresses these in his draft budget. They represent challenges for individual members of the GLA Group as well as the Mayor. This report sets out the criteria and provides supporting information. It also details matters we would like to see addressed in the draft budget.

<u>Some background</u>

1.4 The Mayor proposes a consolidated budget and separate component budgets for the Greater London Authority (GLA), London Development Agency (LDA), the London Fire and Emergency Planning Authority (LFEPA), the Metropolitan Police Authority (MPA) and Transport for London (TfL). These are known as the GLA Group. The London Assembly can amend the draft budget by a two-thirds majority.

1.5 For 2005/6, total gross expenditure for the GLA Group is £9.083 billion. This expenditure is largely funded by Government grants, fares income and the precept levied on council tax. The tables below show the breakdown in the funding for 2005/6[2]:

Consolidated Budget Requirement 2005/6

	Gross expenditure	Specific grants	Other income	Net expenditure	Reserves	Budget Requirement
	£m	£m	£m	£m	£m	£m
MPA	3,113.9	-222.8	-380.8	2,510.3	-22.0	2,488.3
LFEPA	449.4	-6.6	-34.2	408.6	-5.2	403.4
TfL	5,059.0	-2,161.0	-2,807.0	91.0	-71.0	20.0
GLA	68.8	-	-12.8	56.0	4.9	60.9
LDA	392.0	-392.0	-	-	-	Nil
Total Other Services	5,969.2	-2,559.6	-2,854.0	555.6	-71.3	484.3
Total GLA Group	9,083.1	-2,782.4	-3,234.8	3,065.9	-93.3	2,972.6

[1] The population of London is over 7 million. The total gross expenditure (consolidated budget 2005/6) is £9.083 billion.
[2] GLA's Consolidated Budget and Component Budgets for 2005/6, page 33

External financing 2005/6

	Total to be financed	Police Grant	General GLA Grant	RSG/NDR	Council Tax income	Band D Amount
	£m	£m	£m	£m	£m	£
MPA	2,488.3	-1,177.2	-	-750.6	560.5	196.28
LFEPA	403.4	-	-	-277.1	126.3	44.15
TfL	20.0	-	-	-	20.0	6.99
GLA	60.9	-	-37.5	-	23.4	8.18
LDA	-	-	-	-	-	Nil
Collection fund surplus	-2.8	-	-	-	-2.8	-0.98
Total Other Services	481.5	-	-37.5	-277.1	166.9	58.34
Total GLA Group	2,969.8	-1,177.2	-37.5	-1,027.7	727.4	254.62

1.6 Since his election in 2000, the Mayor has increased his call on the precept each year. The percentage increase year on year is set out in the chart below:

Year	Percentage increase in council tax precept	Amount of increase in £ for Council Tax Band D	Total amount in £ of Council Tax Band D
2001/2	23%	£28	£150
2002/3	15%	£24	£174
2003/4	29%	£51	£225
2004/5	7.5%	£17	£241
2005/6	5.5%	£14	£255

The wider picture

1.7 Earlier this year, we highlighted the importance of the Mayor's budget in the context of the London economy. In 2005/6 the budget will channel almost £10 billion through the GLA Group into London's £163 billion economy. The Mayor's budget can influence the performance of the London economy through fare and council tax increases. The economic cycle has an impact on the Mayor's financial resources. Lower than expected economic and population growth could reduce fare income; higher costs of living could affect people's ability to meet council tax demands.[3]

1.8 Recent forecasts have suggested there might be a downturn in the economy. A survey reported that 44% of company directors expected the UK economy to worsen over the next year with 47% forecasting an increase in unemployment.[4] As we have reported

[3] Budget Committee's Response to the Mayor's 2005/6 Consultation Budget, page 1
[4] London Chamber of Commerce & Industry quarterly monitor survey, 3 October 2005

before, the cost of living remains significantly higher in London than elsewhere.[5] The Band D council tax in London is now over £1,000.[6] In 2004, the Mayor increased the average Tube fare by 1% above the rate of inflation and bus fares by around 10% above the rate of inflation.[7]

1.9 We are aware that, in addition to the financial pressures faced by many Londoners, there are budgetary pressures faced by members of the GLA Group. There are items which might require more expenditure than previously anticipated: for example, the 2012 Olympic and Paralympic Games and counter-terrorism and resilience. There are on-going pressures on budgets such as pension payments and the amount of funding provided by Government.

1.10 The value for money of the Mayor's budget relates closely to current and previous performance against priorities. When Ken Livingstone was re-elected as Mayor in June 2004, his manifesto commitments included continuing to increase police numbers, improving bus services, expanding the congestion charging scheme, 30,000 new homes a year with 50% to be low cost and affordable, and making London a Low Emission Zone.[8] In his 2005/6 budget, the Mayor set out deliverables for each member of the GLA Group. These included that:

- the MPA is to continue the implementation of community based policing with a further five dedicated Safer Neighbourhood Teams per borough;
- LFEPA is to continue the home fire safety check programme with 25,000 visits being made in 2005/6;
- TfL is to realise renewal and upgrade of London Underground to improve reliability and capacity;
- The GLA is to implement the London Plan and the Mayor's other statutory and non-statutory strategies and policies; and
- The LDA is to facilitate 1,500 housing units to support London's future growth and development in the Thames Gateway.[9]

1.11 We have, and will continue to, monitor performance against these deliverables. The extent to which previous priorities have been realised is critical to assessing whether on-going funding can be justified. The business plans for the GLA Group are an important source of information to assist us in making these assessments. To date, we have received GLA Group performance monitoring information for quarter 1 2005/6. We will be receiving further quarterly performance monitoring information in December and January and will use this to inform our further work on the 2006/7 budget.

1.12 In September 2005, the Government announced a review of the powers and responsibilities of the GLA, and in particular those of the Mayor.[10] The Mayor's response to the review includes proposals to establish a single waste authority and a new pan-London skills

[5] Budget Committee's Response to the Mayor's 2005/6 Consultation Budget, page 1
[6] http://www.odpm.gov.uk/index.asp?id=1136804
[7] Mayor's press release: New fares policy will secure £3bn investment in transport, 21 September 2004
[8] 'Working 4 London', Ken Livingstone's Election Manifesto, 2004
[9] GLA's Consolidated Budget and Component Budgets for 2005/6, pages 1, 7, 11, 20 and 24
[10] ODPM News Release 2005/0182, "Government announces review of the GLA's powers and responsibilities", 6 September 2005

agency. Such proposals could have significant budgetary implications. We will be interested to see what emerges from the review and what will be the impact on future budgets.

Our work

1.13 Over the course of six meetings since June 2005, we have examined the issues, new initiatives and assumptions for the 2006/7 budget with representatives of the GLA Group. On the basis of these meetings, we have established some criteria against which we will assess the Mayor's 2006/7 consultation draft budget. These criteria are not the only important issues in relation to the draft budget.

1.14 Each year the Mayor issues guidance to the members of the GLA Group ahead of the budget process. We have considered the Mayor's 2006/7 Budget Guidance at our meetings and the members of the GLA Group have indicated that they think this guidance useful. Our criteria are based on this guidance.

1.15 This year we have sought to consult external stakeholders early on in our consideration of the issues for the 2006/7 budget. We wanted to give those who contribute to and benefit from the Mayor's budget the opportunity to express their views. This included conducting six focus groups to find out the views of Londoners. The findings are referred to throughout this report.

1.16 We would like to take this opportunity to acknowledge and thank staff across the GLA Group who have assisted in our work on the 2006/7 budget so far. We also want to acknowledge the work undertaken by staff across the GLA Group in responding to the terrorist attacks in July 2005.

2. Funding for counter-terrorism

Additional funding for counter-terrorism should be provided by Government.

2.1 The Mayor has asked each member of the GLA Group to address the issue of dealing with terrorism and other catastrophic events in their 2006/7 budget and business plan submissions.[11]

2.2 We look to the Government to provide funding to cover the costs of the terrorist attacks in July 2005 and to fund future counter-terrorism work. We believe such work relates to London's position as a capital city and should, therefore, be funded by national taxpayers. There also needs to be certainty much sooner after major incidents about the amount of funding Government will provide to cover costs.

MPA

2.3 The MPA has forecast the additional cost of policing operations following the terrorist attacks at £53.5 million.[12] The estimated on-going net additional cost was approximately £155,000 per day as at 8 November 2005.[13]

2.4 We are disappointed that, to date, the Government has provided just £10 million towards the cost of the operations and may ask the MPA to contribute as much as 1% of its net revenue budget (£27 million) to cover the cost.[14] We feel that, in responding to these events and its wider counter-terrorism activities, the Metropolitan Police Service (MPS) is carrying out international, national and capital city functions.

2.5 This is not the first time we (among others) have highlighted this issue. In October 2001, we were concerned about the delay in Government funding to cover the costs to the police of heightened security following 9/11.[15] We have also acknowledged that a consultant's report commissioned by the MPA and MPS identified a funding shortfall for counter-terrorism work at £23-45 million per year.[16]

2.6 We call on the Government to provide additional funding to cover the costs of the terrorist attacks. We want it to look favourably upon the bid submitted by the MPA for additional counter-terrorism grant for 2006/7 onwards.[17]

2.7 Our view is borne out by the focus groups. Participants felt that terrorism is a problem for the whole country. Some referred to terrorist attacks in Northern Ireland and Manchester

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[11] Mayor's Budget Guidance 2006/7, page 11

[12] Report to MPA Finance Committee meeting on 17 November 2005, Revenue and capital monitoring report 2005/6 – period 6, page 4

[13] As reported by Ken Hunt, Treasurer, MPA at Budget Committee meeting on 8 November 2005

[14] Report to MPA Finance Committee meeting on 10 October 2005, Progress report on Medium Term Financial Plan and Budget Submission 2006/7 – 2008/9, page 6

[15] London Assembly press release, "Met police budget only enough for one more month of heightened police security around London", 12 October 2001

[16] Budget Committee's response to Mayor's Consultation Budget 2005/6, page 14

[17] Report to MPA Finance Committee meeting on 10 October 2005, Progress report on Medium Term Financial Plan and Budget Submission 2006/7 – 2008/9, page 4

and that the country as a whole funded the aftermath of these events rather than the local areas themselves. One participant commented:[18]

> "We're a terrorist target, not because it's our town, London, but because it's the seat of the Government for Britain, that's why we've been targeted. So therefore, it should be the Government that funds it."
>
> 45-60, BC1, Kingston

2.8 There was a strong view from the focus groups that resources should not be diverted from policing neighbourhoods to pay for counter-terrorism. One participant said:[19]

> "We've been promised extra police in London for our neighbourhood. So to have that all cut away because of terrorism would be wrong."
>
> 18-29, C2DE, Lewisham

<u>LFEPA</u>

2.9 LFEPA has reported that it expects to spend £15 million on London Resilience in 2005/6.[20] It has advised that there are no immediate costs arising from the terrorist attacks on 7 July 2005 other than a small amount of overtime which is being managed within the 2005/6 budget.[21]

2.10 LFEPA is seeking an additional £3.8 million for more equipment and resources to improve its London Resilience capability in 2006/7. This includes six new fire rescue units. The full year costs, beyond 2006/7, are £7.23 million.[22] LFEPA has advised that the Government has yet to indicate how much of this cost it will fund and is commencing procurement using its existing reserves.[23]

2.11 At its plenary meeting on 9 November 2005, the Assembly unanimously passed a resolution calling for national funding of counter-terrorism for LFEPA and for the costs of the terrorist attacks in July to be covered by Government.

<u>TfL and GLA</u>

2.12 TfL has identified one off costs of £20 million following the terrorist attacks in July 2005. These include £6 million for additional security, £5 million for insurance excess and £4 million for emergency bus services.[24]

2.13 The GLA has identified costs for itself of over £100,000 following the terrorist attacks. These include £57,000 for remembrance events and £28,000 for the establishment of a disaster fund.[25]

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[18] GfK NOP Research on behalf of the Budget Committee on the Mayor's 2006/7 Budget
[19] GfK NOP Research on behalf of the Budget Committee on the Mayor's 2006/7 Budget
[20] As reported by Colm O'Callaghan, Head of Finance, at Budget Committee meeting on 19 October 2005
[21] As reported by LFEPA representatives at London Assembly Plenary meeting on 9 November 2005
[22] Report to LFEPA Authority meeting on 10 November 2005, Draft Budget Submission to the Mayor, page 5
[23] As reported by LFEPA representatives at London Assembly Plenary meeting on 9 November 2005
[24] Response to question 1972/2005 asked by Sally Hamwee AM at Mayor's Question Time on 18 October 2005
[25] Response to question 1972/2005 asked by Sally Hamwee AM at Mayor's Question Time on 18 October 2005

3. Expenditure on the 2012 Olympic and Paralympic Games

The draft budget should identify clearly the expenditure on the 2012 Olympic and Paralympic Games by each member of the GLA Group and what the designated council tax precept for the Games will and will not fund.

3.1 The Mayor has asked each member of the GLA Group to address the issue of supporting the London 2012 Olympic and Paralympic Games in their 2006/7 budget and business plan submissions.[26]

3.2 We welcome the award of the Games to London and acknowledge the significant work to be undertaken by members of the GLA Group in preparing for this event.

3.3 We expect the draft budget to provide clear details of what each member of the GLA Group will be spending on the Games. We recommend that council tax bills state clearly the extra amount of council tax precept being sought for the Games and what it will pay for.

Funding the Games

3.4 London's council tax payers will contribute an initial £550 million towards the costs of the Games from 2006/7.[27] The Mayor has said that he will raise this by adding an additional £20 a year to the average council tax bill.[28]

3.5 The council tax contribution is part of a wider public sector funding package of up to £2.375 billion which will pay for the costs of staging the Games. This package comprises an initial £2.05 billion made up of £1.5 billion from the National Lottery and up to £550 million from the council tax. Beyond £2.05 billion, provision has been made for a further contribution of £75 million from the council tax and then £250 million from the LDA.[29] After that, Government has indicated further funds may be sought from the National Lottery and the council tax.[30]

3.6 The money to be raised from the National Lottery is made up of:
- £340 million from diverting resources from established lottery sports distributors for elite sport and associated sports investment;
- up to £410 million from changes to the current Good Cause shares in 2009; and
- £750 million from new Olympic Lottery games.[31]

3.7 There are some risks in relation to raising the lottery funding. There have already been changes to the original estimates for the annual amounts. Previously, it was anticipated that £35 million might be raised in 2005/6.[32] This has now reduced to £14 million.[33] The

[26] Mayor's Budget Guidance 2006/7, page 11
[27] http://www.culture.gov.uk/sport/2012olympicgames/funding.htm
[28] Letter from Executive Director of Finance & Performance, GLA to Budget Committee, 23 November 2005
[29] http://www.culture.gov.uk/sport/2012olympicgames/funding.htm
[30] Olympic Funding: Memorandum of Understanding between Government and Mayor of London June 2003, page 9
[31] House of Commons Library Research Paper 05/55, The London Olympics Bill, page 33
[32] Horserace Betting and Olympic Lottery Bill Regulatory Impact Assessment, Department for Culture, Media and Sport, December 2003, pages 45-46

Camelot Group's existing licence to operate the National Lottery runs until 2009. This could mean a new operator might have to realise a substantial amount of the contribution for the Games.

3.8 In the event of cost overruns, council tax payers could be asked to contribute more. The London Assembly has called upon the Mayor to guarantee that he will do everything possible to ensure that council tax payers will not be liable for any large overruns and to lobby Government to limit the council tax contribution to £625 million.[34] We urge the Mayor to stand up for Londoners on this issue and ensure that they are not required to pay additional council tax to fund the Games, by persuading the Government to make firmer commitments.

3.9 The focus groups revealed that some Londoners were concerned about how long they might have to contribute to the Games through their council tax. People who expected a number of indirect benefits from the Games were happy to pay an additional amount through council tax or play Olympic lottery games but others, who could not identify any benefits, were not keen. Some participants expressed doubt that the National Lottery would raise £1.5 billion. Others suggested that as the country as a whole will benefit, Londoners alone should not pay for the Games. One participant commented:[35]

> "The cost should be divided nationwide, because we will be putting up with a lot of stuff, and the whole nation will benefit." 18-29, C2DE, Lewisham

3.10 There were also concerns about whether certain Londoners would be able to afford an additional £20 a year. One participant said:[36]

> "Whatever we think of the Olympics, it's exceedingly difficult for pensioners, who don't have enough money for the council tax. That is dreadful, and many of them will say "It's got nothing to do with us, the Olympics, and we can't afford to pay."
> 45-60, BC1, Kingston

<u>LDA</u>

3.11 The LDA is undertaking much of the initial preparatory work for the Games including site assembly. In 2003, it agreed to limit expenditure on the Games to 25% of its total budget in any one year to safeguard funding for other projects. It also agreed an overall spending plan of £743 million including £478 million for land remediation and the £250 million contribution to the public sector funding package.[37]

3.12 The LDA has a number of projects to deliver as the interim Olympics Delivery Authority. These are forecast to cost £66 million of which £52 million will be funded by Government. The rest will be funded from the public sector funding package by April 2007.[38]

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[33] Letter to Budget Committee from Rt. Hon. Richard Caborn MP, Minister for Sport, 24 October 2005
[34] Motion passed at London Assembly Plenary Meeting on 8 September 2005
[35] GfK NOP Research on behalf of the Budget Committee on the Mayor's 2006/7 Budget
[36] GfK NOP Research on behalf of the Budget Committee on the Mayor's 2006/7 Budget
[37] As reported by Helen Hughes, Executive Director of Resources & Equalities, LDA at Budget Committee meeting on 19 October 2005
[38] Mayoral Approval Form 2353, page 9

3.13 At our meetings in July, September and October, we asked the LDA about its progress and expenditure on the Games to date. The LDA has so far failed to provide sufficient information to satisfy us that its expenditure in relation to site assembly is under control.

3.14 At the Culture, Media and Sport Select Committee meeting on 1 November 2005, the LDA reported that it was reviewing the original budget of £478 million for land remediation. This is because more land is needed than originally identified and because remediation of the land is deeper and more extensive than originally thought. At this meeting, the Mayor also reported that if the relocation process is a failure and so protracted that a firm closes, and is forced into liquidation, then it might get five to ten times the amount of compensation.[39]

3.15 We would expect the draft budget to show clearly the LDA's proposed expenditure on the Games in 2006/7. This should include separate information on its spend on: buying and remediating land; relocation of businesses; and the LDA's work as interim ODA.

<u>TfL</u>

3.16 TfL has a number of projects to deliver in 2006/7 as the interim Olympics Transport Authority. These are forecast to cost £7.6 million which TfL will fund before being repaid from the public sector funding package by April 2007.[40]

3.17 However, TfL will need to deliver more significant projects before 2012 to realise the transport requirements for the Games. These include extensions to the East London line, DLR City Airport extension, increased capacity on the Jubilee Line and the Channel Tunnel Rail Link. We will monitor its expenditure on such projects and the progress made in achieving these goals and aspirations.

<u>GLA, MPA and LFEPA</u>

3.18 In respect of the GLA, we are aware that the Games could have implications for existing staff and resources. The Mayor has approved the appointment of temporary additional staff in the GLA Olympics Team. It has been reported that additional resources may be needed in heavily committed directorates such as Legal and Procurement and Finance and Performance.[41] However, at our meeting on 15 September 2005, we were advised that the "Mayor is not anxious to have a large team of people (at the GLA) second-guessing the Olympic organisations."[42] We would expect GLA staffing resources for the Games to be limited. We would hope the draft budget includes justification for staff time spent on the Games and reasons why this work cannot be performed by LDA or ODA staff.

3.19 The MPS and LFEPA will have significant work in terms of providing security and fire service coverage for the Games. We have been advised by LFEPA, that in budget terms,

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[39] http://www.publications.parliament.uk/pa/cm200506/cmselect/cmcumeds/uc552-iii/uc55202.htm
[40] Mayoral Approval Form 2353
[41] Mayoral Approval Form 2353, page 10
[42] As reported by Neale Coleman, Director of Business Planning and Resources, GLA at Budget Committee meeting on 15 September 2005

the Olympic site is a future challenge.[43] We would expect that all expenditure by these organisations in respect of the Games, including any preparatory work, is identified clearly in their budgets.

[43] As reported by Val Shawcross AM, Chair of LFEPA, at Budget Committee on 19 October 2005

4. Funding for major initiatives

There should be rigorous examination of funding for major initiatives.

4.1 In the Mayor's Budget Guidance 2006/7, each member of the GLA Group has a number of issues which it must address in its 2006/7 budget and business plan submission.[44]

MPA

Safer Neighbourhood Teams (SNTs)

4.2 Although in his Budget Guidance the Mayor has asked the MPA to submit proposals for five additional SNTs for each borough[45] (a total of 156 SNTs), it was announced in September that the roll out of SNTs would be accelerated.[46] All London's 624 wards are to have an SNT by the end of 2006/7. In effect, this will entail the roll out of 368 SNTs in one year.

4.3 An SNT consists of 0.25 of a police inspector, 1 police sergeant, 2 police constables and 3 Police Community Support Officers (PCSOs). Each SNT works with local authorities and partners to address issues of concern in a specific neighbourhood. These might include graffiti, abandoned cars, noisy neighbours, drunks and vandalism.[47]

4.4 In 2005/6, the MPA's increase in the share of the precept (£39 million) will fund net additional costs of Step Change phase 2. This comprises the roll out of 160 SNTs and an increase in accompanying infrastructure, 115 police officers in specialist units and 119 police staff in support services.[48]

4.5 In our response to the Mayor's consultation budget 2005/6, we highlighted issues in respect of increasing police numbers and SNTs.[49] These included that:

- Londoners should be given a clear idea of what their contributions to policing are buying;
- the increase in police officers should be accompanied by an increase in the quality of contact that Londoners have with the police; and
- there should be more sophisticated performance measures to truly understand the impact of the SNTs.

4.6 There are further factors to be considered in the context of an accelerated roll out. There are concerns about the extent to which the new SNTs will have the same level of resources as the existing SNTs. The Mayor has stated that "as we are talking about another 400 wards, I will not swear that every single one of them will have exactly (the same) level" and

[44] Mayor's Budget Guidance 2006/7, pages 11- 13
[45] Mayor's Budget Guidance 2006/7, page 11
[46] MPS news release, "MPS Service Review", 8 September 2005
[47] http://www.met.police.uk/saferneighbourhoods/faq.htm
[48] GLA's Consolidated Budget and Component Budgets 2005/6, page 5
[49] Budget Committee's response to Mayor's Consultation Budget 2005/6, pages 11-13

that "some wards are exceptional, either in terms of crime or in terms of their sheer geographic size. There might be variations. Some might require more."[50]

4.7 There is also the level of supporting services which will accompany the roll out. The MPA has been advised that the accelerated roll out will be undertaken with a minimum level of supporting resources. The MPS has advised that it will require the "creative use" of existing resources.[51]

4.8 There are issues about the extent to which SNTs can address all local crime. The Metropolitan Police Commissioner, Sir Ian Blair, has stated: "we have some problem neighbourhoods in London whose problems will not be solved how ever good we are by a group of people walking around in blue uniforms or liaising with the local authority. They are going to be solved by old-fashioned detective work and taking a few people out and putting them in prison for a long time."[52]

4.9 The focus groups revealed some issues about community policing. Some participants felt that there were not enough police in their neighbourhoods. One said:[53]

> "The general lack of police on the streets affects everything. It affects parking … the police aren't going to nick you for it because there aren't any …."
> 30-45, BC1, Enfield

4.10 Some participants felt that 'proper' police have been replaced by PCSOs and expressed concerns about the limited powers of PCSOs. They cannot, for example, make arrests. There were also reports of strained relations between PCSOs and young people. One participant commented: [54]

> "If you're being burgled or held at knife point it is no good having a community support officer coming round." 18-29, C2DE, Lewisham

4.11 We would expect the draft budget to set out the minimum composition for an SNT and the level of supporting resources.

Service Review

4.12 The Mayor has asked the MPA to demonstrate how the Service Review will deliver £300 million additional resources to front line policing.[55]

4.13 The Service Review was set up by the MPS, with the MPA's support, in spring 2005. It was to look critically at the functions of every unit in the MPS, establish alternative working

[50] Transcript of Mayor's Question Time on 14 September 2005, pages 11-12
[51] Report to MPA Authority meeting on 10 October 2005, Business case for growth in the Metropolitan Police Service 2006-7 Safer Neighbourhoods phase 3, page 4
[52] Transcript of Commission for London Governance meeting on 19 October 2005, page 11
[53] GfK NOP Research on behalf of the Budget Committee on the Mayor's 2006/7 Budget
[54] GfK NOP Research on behalf of the Budget Committee on the Mayor's 2006/7 Budget
[55] Mayor's Budget Guidance 2006/7, page 11

patterns and lead improvements in performance and efficiency.[56] In early September, Sir Ian Blair announced that the Review pointed the MPS in six directions. These were:

- The roll out of SNTs across every borough by the end of 2006/7;
- Reshaping counter-terrorism capability so there is a bigger counter-terrorism department, a directorate dealing with security of buildings and a directorate dealing with protection of individuals at high risk;
- A new emphasis on cracking organised criminal networks;
- Investing more in the training of front line staff including the setting up of a leadership academy;
- Moving towards more information driven resources so police officers do not have to key data in to more than one system; and
- A stronger focus on public accessibility including dealing with non-emergency calls through Metcall (the new communication infrastructure).[57]

4.14 It has been reported that although the Service Review proposals will release resources in the long term, these will not be available in 2006/7 and indeed many of the proposals require initial investment to realise future savings.[58] At this stage, it is not clear how the Service Review will deliver £300 million additional resources to front line policing. At our meeting on 8 November 2005, we were advised that MPA Members had not agreed to this figure and were awaiting detailed reports and business cases to support the proposals.[59]

4.15 We would expect the draft budget to set out the amount of expenditure on each Service Review proposal and over what timescale. It should show clearly how the Service Review will deliver £300 million additional resources to front line policing.

TfL

London Underground

4.16 The Mayor has asked TfL to meet London Underground performance targets and deliver planned infrastructure improvements.[60]

4.17 In light of the operation of the London Underground as a Public-Private Partnership (PPP), improving performance will be difficult. It was pleasing to note that for quarter 1 2005/6, TfL reported the best performance on the Tube for eight years, but disappointing that there was on-going poor performance on the Northern Line. London Underground's operating expenditure was £14 million below budget for the quarter. This was due to lower than budgeted performance payments and other variances relating to the PPP contracts.[61]

4.18 Following the severe disruption on the Northern Line in October, the Mayor reported that one of the PPP companies might be prepared to renegotiate with London Underground its

[56] MPA and MPS Policing and Performance Plan 2005/6, page 10
[57] MPS news release, "MPS Service Review", 8 September 2005
[58] Report to MPA Finance Committee meeting on 10 October 2005, Progress report on medium term financial plan and budget submission 2006/7 – 2008/9, page 4
[59] As reported by Ken Hunt, Treasurer, MPA at the Budget Committee meeting on 8 November 2005
[60] Mayor's Budget Guidance 2006/7, page 12
[61] TfL Board meeting on 28 September 2005, Operational and Financial Report – 1st Quarter, Appendix 1, page 7

PPP contract.[62] We will be interested to see what further developments occur, and at what cost, to enable TfL to realise sustainable improvements in the performance of London Underground. This will also be considered by the London Assembly Transport Committee.

Congestion Charge Scheme

4.19 The Mayor has asked TfL to address the issue of achieving the westward extension of the Congestion Charge Scheme.[63]

4.20 The London Assembly Transport Committee considered whether the western extension would raise revenue. The Committee expected that revenue benefits of the proposal were small and that there must be a risk that the extension would operate at a financial loss.[64] There needs to be greater clarity on the costs and benefits of the scheme. We would like detailed projections as to the value for money of the extension with evidence as to why and how these assumptions are made.

4.21 The extension westwards is not the only change to the congestion charging scheme which may impact on its budget. There is the increase in charge to £8 which came into effect from July 2005. This represents an increase of 60% for congestion charge payers, which, as it replaces a staged increase over the period to 2008, will have a significant impact compared to gradual increases. In addition, there is to be a change in operating hours from 6.30pm to 6pm, the introduction of pay next day and the provision of free days for people paying the charge monthly or annually.

4.22 TfL has not yet provided clear details as to the forecast financial impact of all these changes. The budget should show separately the forecast expenditure on the congestion charging scheme and anticipated income in 2006/7 including the impact of all these changes.

Other transport initiatives

4.23 External stakeholders have told us that they hope TfL will concentrate not only on big schemes but also on smaller projects in 2006/7. These include travel demand management, school and workplace travel plans, travel awareness campaigns and measures to promote cycling and/or walking. They believe that such projects can involve less expenditure than big schemes but demonstrate high cost recovery rates.[65]

4.24 The focus groups revealed some Londoners' views on recent improvements to the buses. Some welcomed the introduction of CCTV and wheelchair access. Others raised concerns about free travel for 16 and 17 year olds in full time education. They felt this created safety fears for other bus users. One participant commented:[66]

> "Elderly people do not want to travel on buses because of youngsters."
>
> 18-29, C2DE, Lewisham

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[62] Transcript of Mayor's Question Time on 18 October 2005, pagers 4-5
[63] Mayor's Budget Guidance 2006/7, page 12
[64] Transport Committee's report, Congestion Charging – Westward Expansion, December 2003, page 4
[65] Letter to the Budget Committee from John Cartledge, Deputy Chief Executive, London Travel Watch, 31 October 2005
[66] GfK NOP research for Budget Committee on Mayor's 2006/7 budget

4.25 There were also concerns about the countdown system. Some participants commented that the current countdown system is unreliable and they were concerned that the replacement to the countdown system might also be unreliable. Other participants commented on cashless buses. Whilst many frequent users welcomed these as a means of reducing their journey times, there were concerns that for less frequent travellers, the inability to just 'jump on' the bus might be a disincentive to use public transport. One participant commented:[67]

> "I object because I don't know when I'm going to be traveling on the bus and it's an impulse thing, I'd just prefer to be able to jump on and pay. I appreciate that for regular users that's fine. But not if you're not a regular user."
>
> 45-60, BC1, Kingston

<u>LFEPA</u>

4.26 The Mayor has asked LFEPA to address the issue of making significant progress in implementing the Mayor's pledge to provide free fire risk assessments and smoke alarms for pensioners.[68]

4.27 Recently LFEPA has improved its performance in meeting targets for the home fire check safety programme and community safety initiatives. In 2004/5, LFEPA carried out 11,324 home fire safety checks compared to a target of 25,000. It spent 3.61% of time on community fire safety compared to a target of 6%. For quarter 1 2005/6, however, LFEPA reported that 16,092 home fire safety checks had been undertaken and is confident it will meet its target for the year. Station based staff spent 9% of their time on community fire safety against a revised target of 8%.[69]

4.28 LFEPA has advised us that, in light of the improved performance, it has increased its target for the number of home fire safety checks. It has a target for 2006/7 of 100,000 home fire safety checks to be made.[70] LFEPA has also reported that it needs to analyse more closely what initiatives actually work well and there may be a need to adjust its delivery of initiatives to suit local areas. We will monitor the extent to which LFEPA continues to improve its performance in the home fire safety check programme and community safety initiatives.

<u>LDA</u>

Regeneration of the Thames Gateway

4.29 The Mayor has asked the LDA to address the issue of contributing to the delivery of development and regeneration of the Thames Gateway in 2006/7.[71]

4.30 The 2012 Olympic and Paralympic Games are expected to act as a catalyst for the redevelopment and regeneration of the Gateway. Whilst the work in relation to the Games

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[67] GfK NOP research for Budget Committee on Mayor's 2006/7 budget
[68] Mayor's Budget Guidance 2006/7, page 12
[69] Report at item 5 on agenda for 13 October 2005 Budget Monitoring Sub-Committee meeting, page 25
[70] Report to LFEPA Authority meeting on 10 November 2005, Draft budget submission to the Mayor 2006/7, page 72
[71] Mayor's Budget Guidance 2006/7, page 13

is important, we hope that the LDA's expenditure on redeveloping the wider Gateway area does not reduce as a consequence.

4.31 There are many organisations which are working alongside the LDA to realise the Gateway redevelopment. These include the Thames Gateway Strategic Partnership, Thames Gateway Strategic Executive, Sustainable Communities Delivery Unit, London Thames Gateway Partnership Board and the London Thames Gateway Urban Development Corporation. Such a large number of organisations can make it difficult to understand the work taking place and at what cost. We have asked for details of how the LDA will work with other organisations to realise key Gateway projects in 2006/7 and what it will spend on these projects. We would expect to see this information in the draft budget.

Rapidly Growing Economies

4.32 The Mayor has asked the LDA to address the issue of expanding action to encourage increasing investment from rapidly growing economies (India, China, Russia).[72]

4.33 The LDA has plans to set up representative offices in Beijing and Shanghai. These may cost £3.7 million over the next three years.[73] We are keen to ensure that such initiatives result in measurable outcomes which can be justified as necessary. We would like the LDA to provide clear details of what it will be spending on these offices each year and how their success at increasing inward investment will be measured. We would also expect that if other organisations use these offices they will be asked to contribute to the cost.[74]

Tourism

4.34 In light of the terrorist attacks in July, we have asked the LDA about its future expenditure and work on tourism. An initial report on the impact of the terrorist attacks on 7 July 2005 predicted international visitor numbers would fall by around 2 per cent and Britons' spending on holidays would fall by £2.3 billion.[75] We would hope that the draft budget will provide sufficient resources for the LDA to undertake further work to promote tourism.

<u>GLA</u>

4.35 The Mayor has asked the GLA to address the issue of securing delivery of London Plan targets for homes, including affordable homes. [76] All members of the GLA Group have been asked to address the issue of working together to support the delivery of the London Plan.[77]

4.36 In the past there have been underspends and uneven quarterly expenditure on the GLA's London Plan programme budget. In quarter 1 2005/6, for example, there was an

[72] Mayor's Budget Guidance 2006/7, page 13
[73] LDA report to its Board meeting on 22 July 2005, China Investment Programme, page 8
[74] Budget Committee meeting on 19 October 2005
[75] World Travel and Tourism Council news release issued on 8 July 2005 available at http://www.wttc.org
[76] Mayor's Budget Guidance 2006/7, page 13
[77] Mayor's Budget Guidance 2006/7, page 11

underspend of £115,000 (22% of the full year revised budget of £531,000).[78] We hope that such patterns of expenditure do not reflect difficulties in delivering the targets for the London Plan. These include completing all London Plan Strategic Planning Guidance documents and beginning preparations for the first review of the Plan in public.[79]

4.37 In the past we have expressed concern about the value of the London Portal. This one stop web site providing users with on-line information about London services will receive £500,000 from the GLA budget in 2005/6.[80] This is the single biggest spend on a new initiative. We would expect the draft budget to show what further funding will be provided for this initiative. This includes the level of contributions to be provided by boroughs and any contributions from other organisations referred to on the London Portal.

[78] Quarter 4 2004/5 performance information for GLA as reported to Budget Monitoring Sub-Committee meeting on 7 July, item 6, Appendix C
[79] GLA Corporate Plan 2005/8, page 39
[80] GLA Corporate Plan 2005/8, page 9

5. Efficiencies and savings

The draft budget should demonstrate increased efficiencies and savings across the GLA Group.

5.1 The Mayor has asked members of the GLA Group to provide budget submissions which demonstrate that there has been a rigorous pursuit of efficiencies in existing services and structures.[81]

MPA

5.2 We are aware that the MPA has forecast savings of £74 million for 2006/7 but reported that "many of the savings proposals will be very difficult to implement and will have operational implications."[82] This is reflected in recent performance. In quarter 1 2005/6, for example, the MPA forecast that only £70.5 million of annual savings would be realised compared to the target of £73 million. The shortfall of £2.5 million is due to non-achievement of reductions in police overtime.[83] We would expect the draft budget to show clearly how the proposed savings for 2006/7 will be achieved.

TfL

5.3 TfL established an efficiency programme in 2002/3. This was expected to realise £325 million of savings between 2003/4 and 2008/9. The target has since increased to over £1 billion of savings by 2009/10.[84]

5.4 We considered TfL's efficiency programme in detail at our meeting in March 2005. A number of issues emerged at this meeting including the necessity of achieving cultural change in an organisation to realise efficiencies and the importance of senior management leading on planned efficiencies. We have suggested that TfL might share its experience of achieving savings with other members of the GLA Group.

LFEPA

5.5 LFEPA has reported that efficiency savings of £4.9 million have been identified for the 2006/7 budget.[85] In 2005/6, LFEPA has realised £2.6 million of efficiency savings and £5 million of modernisation savings through the London Safety Plan 2005/8.[86]

5.6 At our meeting in October 2005, we queried the scope for further savings through the London Safety Plan. LFEPA advised that there will now be a focus on greater productivity in the work undertaken at fire stations. Shift pattern changes at fires stations have been

[81] Mayor's Budget Guidance 2006/7, page 21
[82] Report to MPA Finance Committee meeting on 10 October 2005, Progress report on Medium Term Financial Plan and Budget Submission 2006/7 – 2008/9, page 3
[83] Quarter 1 2005/6 performance monitoring information for MPA as reported to Budget Monitoring Sub-Committee on 13 October 2005, page 3
[84] TfL Business Plan 2006/7 – 2009/10, pages 49-52
[85] Report to LFEPA Authority meeting on 10 November 2005, Draft Budget Submission to the Mayor 2006/7, page 4
[86] Quarter 1 2005/6 performance information for LFEPA as reported to 13 October Budget Monitoring Sub-Committee meeting, item 5, page 22

proposed which will be the subject of formal consultation with the workforce.[87] We would expect to see the anticipated outcomes of these changes in the draft budget.

LDA

5.7 The Mayor has asked the LDA to demonstrate how it intends to secure efficiencies, evidenced by performance in 2005/6, which will increase the proportion of total LDA budget allocated to direct programme expenditure.[88]

5.8 We have been advised by the LDA of work in hand to realise £80 million of savings in 2006/7. This includes streamlining support services, reducing programme duplication, reducing spend on consultancy and more joined up marketing and communication.[89] We would expect the draft budget to include detailed information on how the 2006/7 savings will be realised.

5.9 In recent years, the LDA has not increased the proportion of its spend on programme expenditure. In 2003/4, for example, LDA's expenditure on programmes was £350.4 million (94% of its total expenditure)[90] and, in 2004/5, £388.8 million (93% of its total expenditure).[91] We would expect the draft budget to demonstrate clearly how the LDA will increase the amount of money allocated to direct programme expenditure.

GLA

5.10 In 2005/6, the GLA had an efficiency target of £1.38 million savings, half of which must be cashable. We have been advised that the majority of cashable savings have been achieved and that to realise the remainder the Mayor has agreed a programme of efficiency reviews.[92]

5.11 In our consideration of the Mayor's 2005/6 budget, we queried the potential for savings derived from cross GLA Group working. At our meeting in June 2005, we received a report setting out some existing cross GLA Group mechanisms. These include GLA Economics, The Londoner and GLA Group framework agreements for web design and development. Following the meeting, we have received details of the GLA Group networks which exist to promote joint working.[93] We would expect to see details in the draft budget of further savings identified from cross GLA Group work on procurement, human resources, pensions management, communication, consultation and technology.

[87] As reported by Ken Knight, Commissioner for Fire and Emergency Planning, at the Budget Committee meeting on 19 October 2005
[88] Mayor's Budget Guidance 2006/7, page 5
[89] Transcript of Budget Committee meeting on 19 October 2005
[90] Quarter 4 2003/4 performance information for LDA as reported to Budget Committee meeting on 14 July 2004, item 6, page 31
[91] Quarter 4 2004/5 performance information for LDA as reported to Budget Committee meeting on 7 July 2005, item 5, page 30
[92] Report to Budget Committee meeting on 28 June 2005, GLA Group efficiencies, page 2
[93] Letter from Executive Director of Finance & Performance to Budget Committee, October 2005

6. Council tax precept

The draft budget should result in the smallest possible increase in council tax precept.

6.1 The Mayor has asked each member of the GLA Group (apart from the LDA) to provide budget proposals for 2006/7 that would result in an annual increase in that body's share of the council tax precept limited to 5.5% in 2006/7, 2007/8 and 2008/9.[94]

6.2 He has also asked each member of the GLA Group to keep under review a best estimate of the level of Government grant support it expects to receive.[95]

6.3 The level of Government grant is an area of uncertainty. The Government has undertaken a review of the formula grant distribution which could impact on the grants for both policing and the fire service. The options for the GLA police grant range from a loss of grant of £62 million to a gain of £9 million. The options for the GLA fire grant range from a gain of £2 million to a loss of £8 million.[96]

6.4 The table below sets out the amount of council tax income each member of the GLA Group was allocated in its budgets for 2004/5 and 2005/6.[97] The LDA makes no call on the precept.

	2004/5 £m	2005/6 £m	Percentage change
GLA	20	23.4	17% increase
LFEPA	120	126.3	5.2% increase
MPA	521.3	560.5	7.5% increase
TfL	25.8	20	22.5% decrease
GLA Group	683.6	727.4	6.4% increase

MPA

6.5 Taking into account a 5.5% increase in precept and a 3.2% increase in Government grant, the MPA has been forecasting a budget shortfall. This excludes any additional call on the precept to fund an accelerated roll out of SNTs.[98]

6.6 The MPA has advised that an accelerated roll out of SNTs is dependent on additional resources. It has proposed seeking £31.8 million from the council tax precept in 2006/7. This is the equivalent of a precept increase of almost 6%.[99]

[94] Mayor's Budget Guidance 2006/7, page 5
[95] Mayor's Budget Guidance 2006/7, page 5
[96] Report to Budget Committee meeting on 15 September 2005 on Formula Grant Distribution
[97] GLA's Consolidated Budget and Component Budgets 2004/5 (page 29) and 2005/6 (page 33)
[98] Report to MPA Co-ordination and Policing Committee meeting on 4 November 2005, Progress report on the budget submission 2006/7 – 2008/9, page 5
[99] Report to MPA Finance Committee meeting on 10 October 2005, Progress Report on Medium Term Financial Plan and Budget Submission 2006/7- 2009/10, page 5

LFEPA

6.7 LFEPA has developed budget proposals which would result in a precept increase of 5.4%. It has reported that if the £3.8 million proposed for London Resilience was funded by council tax precept, it would result in a precept increase of 8.4%.[100]

6.8 LFEPA is proposing to use £18.355 million of reserves to support the 2006/7 budget.[101] In previous years, despite budgeting to use reserves, LFEPA has had significant annual underspends. In 2003/4, for example, the overall underspend was £9.6 million and in 2004/5 the overall underspend was £17.7 million.[102] At our meeting on 19 October, we asked LFEPA about the necessity to use reserves in light of the annual underspends. LFEPA has advised that it has undertaken an exercise this year to align the planned budget to the budget which it expects to deliver.[103] There remains, however, an issue about the sustainability of using reserves in the long term to balance the budget.

TfL

6.9 In the context of forecast expenditure of £5.271 billion for 2006/7, TfL's proposed call on the council tax precept of £21 million[104] is modest. However, it is a 5% increase on the amount it will receive from the precept in 2005/6.

6.10 Previously we have explored the scope for reducing TfL's call on the council tax precept.[105] We are aware that TfL would seek to secure this money in the context of being concerned that future capping or other unexpected events would bar it from recapturing these funds at a later date. We have also been advised by TfL that its 2006/7-2009/10 Business Plan is balanced by the inclusion of a certain level of precept in each year. Nonetheless, there is scope for a reduction particularly in light of the proposed 2006 fares package and high levels of ridership on buses and the Tube despite the terrorist attacks in July.

6.11 On 4 October 2005, the Mayor announced his 2006 fares package. Although the package will result in a freeze in most Oystercard fares, there will be increases in cash fares. A single cash bus fare will rise by 25% and a Tube Zone 1 cash single fare by 50%. Travelcard prices will typically increase by around 4%.[106] The Mayor has advised that the fares package aims to persuade more passengers to pay as they go using an Oystercard.

6.12 There are some issues in respect of the new fares package. There is the potentially adverse impact on existing Tube and bus users who often use weekly and monthly travelcards. At our meeting on 8 November 2005, TfL reported that "the travelcard prices are going up by Retail Price Index plus 1% which is what the Mayor agreed in the fares package he put forward so we have not put an additional burden on people who are traveling in that

[100] Report to LFEPA Authority meeting on 10 November 2005, Draft Budget Submission to the Mayor 2006/7, page 5
[101] Report to LFEPA Authority meeting on 10 November 2005, Draft Budget Submission to the Mayor 2006/7, page 8
[102] Quarter 4 2004/5 performance information for LFEPA as reported to 7 July 2005 Budget Monitoring Sub-Committee meeting, item 5, page 20
[103] Transcript of Budget Committee meeting on 19 October 2005
[104] TfL Business Plan 2006/7-2009/10, page 11
[105] Budget Committee's response to Mayor's consultation budget, page 19
[106] GLA press release 2005/479 "Mayor sets out 2006 fares package to boost switch from cash to Oystercard", 4 October 2005

way."[107] There is also the adverse impact on occasional users, such as tourists, who may wish to purchase single fares.

6.13 The extent to which the fares package will encourage people to switch to Oystercard or increase their use of public transport is yet to be proved. If people do not switch to Oystercard, then more expensive single cash fares could decrease the number of people using public transport. In quarter 1 2005/6, for example, TfL reported a smaller than anticipated growth (1%) in passenger journeys on buses due, in part, to the January 2005 fares increase.[108]

6.14 The focus groups revealed that some people were concerned about the impact of fare increases on casual users. There was strong awareness of the Mayor's wishes to encourage tourists to come to London and for car users to use public transport but the fare increases were seen at odds with these aims. Non-users of public transport who had heard of Oystercard but were unsure what it meant or how it worked tended to prefer to make use of single fares for their journeys. They, therefore, felt excluded from the fare freeze. One participant commented: [109]

> "But if me and the missus come to Enfield shopping when it goes to £1.50, that's £6 for a round trip… which is ridiculous, £6 for two people to go shopping."
>
> 30-45, BC1, Enfield

6.15 The focus groups revealed that many participants, including regular public transport users, did not understand Oystercard fully and some people might not switch to using it. One participant said: [110]

> "I haven't got a clue; if they're trying to encourage people to buy Oystercards they need to tell you where to get them."
>
> 30-45, BC1, Enfield

GLA

6.16 At our meeting on 22 November 2005, we considered the GLA budget, business plan and sustainable development submissions for 2006/7. We have responded to the Mayor on these in writing and a copy of our letter is appended to this report.

[107] As reported by Jay Walder, Managing Director of Finance & Planning, TfL at Budget Committee meeting on 8 November 2005 (see transcript of meeting, page 24)
[108] Report to TfL Board meeting on 28 September 2005, Operational and Financial report 1st Qtr, Appendix1, page 6
[109] GfK NOP research for Budget Committee on Mayor's 2006/7 budget
[110] GfK NOP research for Budget Committee on Mayor's 2006/7 budget

7. Budget information for Londoners

The draft budget should provide clear information on proposed expenditure and be consulted upon widely

7.1 The Mayor has asked all members of the GLA Group to address the issue of providing meaningful performance information to the London public (including through The Londoner) so that Londoners understand what they are getting for their investment.[111]

7.2 We welcome the Mayor's request for meaningful performance information. The focus groups revealed that some Londoners have little awareness of the responsibilities of the GLA Group and its sources of funding.[112] Londoners should be provided with detailed information on the draft budget. This is particularly true for the police budget where the full financial picture should not be obscured by an emphasis on SNTs and counter-terrorism.

7.3 We have highlighted in the past some difficulties in determining the performance of the LDA on the basis of information provided.[113] At our meeting on 19 October 2005, we asked the LDA about work in hand to improve performance data. We were advised that an evidence and evaluation team was being set up and that a senior post might be established to oversee performance management systems.[114] We would expect to see evidence in the draft budget of how and when the LDA's performance information will be improved.

7.4 We consider that, in addition to providing more budget and performance information, there may be scope for further involvement of Londoners in the budget setting process. Although the budget consultation period occurs over Christmas, it might be possible to undertake more consultation throughout the year, particularly on individual spending proposals. This would need to complement existing consultation such as the Mayor's Annual London Survey and any consultation by the London Assembly. Although on a different scale, it is interesting to note that the London Borough of Harrow undertook a participatory budget event recently. This comprised an Assembly of 300 residents agreeing a set of priorities for next year's budget.[115]

7.5 We intend to involve external stakeholders in our future examination of the 2006/7 budget. We will be holding meetings in December and January where we will consider the Mayor's draft consultation 2006/7 budget and the extent to which it meets our criteria. We look forward to our requests in relation to the draft budget being fulfilled.

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[111] Mayor's Budget Guidance 2006/7, page 11
[112] GfK NOP research undertaken on behalf of the Budget Committee on the Mayor's 2006/7 budget
[113] See Budget Committee's response to Mayor's Consultation Budget 2005/6, page 25
[114] As reported by Helen Hughes, Executive Director of Resources & Equalities to the Budget Committee meeting on 19 October 2005
[115] http://www.harrowopenbudget.org

Appendix A: Budget Committee meetings and attendees

The main items considered at the Budget Committee and Budget Monitoring Sub-Committee meetings are set out below. Minutes and transcripts are available at: www.london.gov.uk/assembly/budgmtgs/index.jsp

28 June 2005: Budget Committee

1) European Social Forum
- Murziline Parchment, Director – Major Projects & Service Delivery, GLA
- Louise Harris, Head of Public Consultation & Communication, GLA

2)TfL and GLA: issues, new initiatives and assumptions for 2006/7 budget
- Jay Walder, Managing Director of Finance & Planning, TfL
- Stephen Critchley, Chief Finance Officer, TfL
- Anne McMeel, Executive Director of Finance & Performance, GLA
- Martin Clarke, Head of Strategic Finance & Performance, GLA

3) GLA Group Efficiencies

7 July 2005: Budget Monitoring Sub-Committee

1) Functional Bodies' Quarterly Budget & Performance Monitoring – April 2004 to March 2005
2) GLA Budget and Corporate Plan Performance Monitoring – April 2004 to March 2005

27 July 2005: Budget Committee

1) LDA, LFEPA and MPA: issues, new initiatives and assumptions for 2006/7 budget
- Helen Hughes, Executive Director of Resources & Equalities, LDA
- Barbara Riddell, Director of Resources, LFEPA
- Colm O'Callaghan, Head of Finance, LFEPA
- Ken Hunt, Treasurer, MPA
- Anne McMeel, Executive Director of Finance & Performance, GLA
- Martin Clarke, Head of Strategic Finance & Performance, GLA

2) Mayor's 2006/7 Budget Guidance

15 September 2005: Budget Committee

1) Financial Implications of the 2012 Olympic and Paralympic Games
- Phil Smith, Commercial & Operations Director, Camelot Group PLC
- Mark Gallagher, Director of Corporate Affairs, Camelot Group PLC
- Jonathan Kalemera, Director of Finance, LDA
- Jay Walder, Managing Director of Finance & Planning, TfL
- Hugh Sumner, Director of Olympic Transport, TfL
- Neale Coleman, Director of Business Planning & Regeneration, GLA
- Anne McMeel, Executive Director of Finance & Performance, GLA
- Martin Clarke, Head of Strategic Finance & Performance, GLA

2) Mayor's 2006/7 Budget Guidance
3) Formula Grant Distribution

13 October 2005: Budget Monitoring Sub-Committee

1) Functional Bodies' Quarterly Budget & Performance Monitoring – April to June 2005
2) GLA Budget and Corporate Plan Performance Monitoring – April to June 2005

- Martin Clarke, Head of Strategic Finance & Performance, GLA
- Tom Middleton, Group Performance Manager, GLA

19 October 2005: Budget Committee

1) Issues for 2006/7 Budget for LFEPA, LDA and GLA

- Val Shawcross AM, Chair of LFEPA
- Ken Knight, Commissioner of Fire and Emergency Planning, LFEPA
- Barbara Riddell, Director of Resources, LFEPA
- Colm O'Callaghan, Head of Finance, LFEPA
- Helen Hughes, Executive Director of Resources & Equalities, LDA
- Jonathan Kalemera, Director of Finance, LDA
- Anne McMeel, Executive Director of Finance & Performance, GLA
- Janet Worth, Executive Director of Corporate Services, GLA
- Martin Clarke, Head of Strategic Finance & Performance, GLA
- Alex Bax, Senior Policy Adviser – Planning & Development, Mayor's Office, GLA

8 November 2005: Budget Committee

1) Issues for 2006/7 Budget for MPA and TfL

- Ken Hunt, Treasurer, MPA
- Paul Minton, Commander, MPS
- Alan Brown, Assistant Commissioner, MPS
- Jay Walder, Managing Director of Finance & Planning, TfL
- Stephen Critchley, Chief Finance Officer, TfL
- Anne McMeel, Executive Director of Finance & Performance
- Martin Clarke, Head of Strategic Finance & Performance

22 November 2005: Budget Committee

1) GLA business plan, budget and sustainable development submissions for 2006-9

- Murziline Parchment, Director – Major Projects & Service Delivery, GLA
- Anne McMeel, Executive Director of Finance & Performance, GLA
- Janet Worth, Executive Director of Corporate Services, GLA
- Mark Roberts, Executive Director of Secretariat, GLA
- Frances Mapstone, Head of Social Inclusion and Health, GLA
- Shirley Rodrigues, Head of Environment, GLA

Appendix B: Response to Mayor on draft GLA budget, business plan and sustainable development submissions 2006/7

Following the Budget Committee's consideration of the draft GLA Business Plan, Budget and Sustainable Development Submissions for 2006-2009 at its meeting on 22 November 2005, I write to provide you with the Assembly's response.

We are well aware that the GLA budget forms a relatively small part of the component budget, but it is significant in itself, and in that it is seen as an exemplar for the Functional Bodies.

We are also of course aware that these documents are not in their final form. This letter sets out both comments and questions, which we put forward as part of the consultation process and which are intended constructively.

Additional expenditure on 2012 Olympic and Paralympic Games

We do not believe that your budget submission sets out clearly all expenditure on the Games and urge you to make clear the full costs.

Londoners will have in mind that the public sector funding package for the Games requires up to £550 million from council tax for 10 years rising to £625 million over 12 years.[116] Yet your budget submission does not show this. Instead it refers to the GLA being required to raise £57 million a year for up to 12 years which might suggest £684 million will be sought from the council tax. It should be made clear in the budget what amount of council tax is being sought, over what time period and the assumptions about the council tax base, collection rates and other variables which underpin the amount.

A significant element of growth in your budget for the GLA, £481,000, is to fund Olympics support activity. We are concerned that this means Londoners will not only be paying for the Games through the public sector funding package but through additional contributions to the GLA. The case for this growth needs to be made. How can you be sure that this is required if, as the budget submission advises, it is difficult, at present, to assess the impact of hosting the Games on the GLA's work.[117] It certainly should be made entirely clear that this expenditure, and its impact on the precept, is over and above the £20 at Band D which is the figure constantly referred to publicly, and we would be glad to understand what plans you have in this regard.

Over three-quarters of this growth, £366,000, is for Olympics related staff. We are not certain that all these staff are necessary nor that they will not be duplicating work of the London Development Agency (LDA) and the Olympics Delivery Authority (ODA). We are mindful that Neale Coleman, Director of Business Planning and Regeneration, advised us at our meeting on 15 September 2005 that you "were anxious not to have a large team of people second-guessing the Olympic organisations." We request that the budget reflect this by giving clear details of what work these staff will perform and how it is different to work being undertaken by the LDA and the ODA.
There was no suggestion of this in response to our questioning, but if any of the growth items arise from seeking to realise ancillary / legacy benefits, rather than being costs required to stage the

[116] Olympic Funding: Memorandum of Understanding between Mayor and Government, May 2003
[117] Budget 2006/9 Submission, page 16

Games, it would be helpful to know this. We would suggest that a distinction be made between "core" and "ancillary" costs.

Increase in staffing

The additional staff working on the Olympics are part of a net increase of 15.4 posts in 2006/7. This will add to the significant pressures on accommodation at City Hall. We would request further details on the assessment made of the need for such staff in light of the pressures on accommodation.

Growth bids

The proposed growth bids for 2006/7 total £1.951 million but previous performance suggests that some of this growth might not be necessary. You have, for example, proposed growth in your own office of £751,000 despite annual underspends in 2003/4 of £808,000 and £788,000 in 2004/5.[118] Similarly, there is a growth bid for Policy and Partnerships of £675,000 despite an underspend of £2.559 million in 2003/4 and an underspend of £618,000 in 2004/5.[119] Please would you let us know your thinking on this.

We note that although there has been work to ensure programme budgets more closely reflect expenditure, there is a forecast underspend on programme budgets of £200,000 for 2005/6. This would suggest that there may be scope for further refinement of programme budgets particularly in light of various virements/adjustments. There was, for example, a reduction in the 2005/6 Environment programme budget from £979,000 to £948,000. In 2004/5, this budget underspent by £61,000.[120] Yet it is proposed to increase this budget to £1.158 million in 2006/7.

The proposals for publicity costs suggests itself as one area which could be re-examined. We have asked for further information on why there is a need to increase expenditure on consultation in 2006/7 and what expenditure is proposed on The Londoner. Schedule 4 of the budget submission give expenditure on The Londoner of £555,000 in 2006/7 yet Schedule 7 gives expenditure of £609,000.

Clearer deliverables in 2006/7

We support the requirement in your budget guidance that all members of the GLA Group should address the issue of providing meaningful performance information to the London public. In light of this, we feel that the directorate plans within the GLA business plan could be improved by the inclusion of evaluation criteria. On the basis of the current plans, it would be difficult to identify what measures will be applied to ensure each directorate's deliverables meet the objectives.

In respect of the budget and sustainable development submission, we welcome the work undertaken to build on last year's budget and environment process. We suggest that the submission could be improved by streamlining the 16 priorities or, at the least, by putting these in order of importance. We

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[118] GLA Budget and Business Plan Performance Monitoring Report (1 April 2004 to 31 March 2005) page 13 and GLA 2003/4 Financial Year Outturn, Appendix A

[119] GLA Budget and Business Plan Performance Monitoring Report (1 April 2004 to 31 March 2005) page 13 and GLA 2003/4 Financial Year Outturn, Appendix A

[120] GLA Budget and Business Plan Performance Monitoring Report (1 April 2004 to 31 March 2005) Appendix C

would also welcome more explicit cross referencing to the London Sustainable Development Commission's Quality of Life Indicators.

Increased burden on London's council tax payers

We would be glad of your comments regarding your apparent disregard for your own budget guidance in proposing a 14.9% increase in the GLA's share of the precept. Despite asking the relevant members of the GLA group to produce budget proposals which limit their increases in the call on the precept to 5.5%, this draft budget proposes an increase almost three times above the target. We query the message you are sending out to members of the GLA Group who have been asked to comply with the guidance.

We are also concerned that you have proposed such an increase alongside the significant council tax contribution to be sought to fund the 2012 Olympic and Paralympic Games. In 2006/7, as your proposals stand, the average London taxpayer will contribute £29.40 to the GLA compared to £8.18 this year. This is a substantial increase and comes at a time when you have yourself indicated that demands on council tax might have reached saturation level. At the recent Mayor's Question Time you advised the Assembly that "you were aware that council tax is as high probably in real terms as people can really bear."[121]

We recognise that, at this stage, there are still a number of unknowns which will have a bearing on the GLA budget including the level of Government grant. We look forward to hearing how you will explore the scope for using General Fund to offset the call on the precept and consider the scope for identifying further efficiencies and savings beyond the £837,000 included in the budget submission.

Finally, I am enclosing the Budget Committee's Pre-budget Report. It is designed to explain to the whole Assembly how we have approached our work in the run-up to publication of the full budget proposals, but it is right that I should send you a copy direct. It includes comments on the Functional Bodies as well as the GLA.

We look forward to the draft consultation budget.

Yours sincerely

Sally Hamwee
Chair, Budget Committee

Cc: Murziline Parchment, Director - Major Projects and Service Delivery
Anne McMeel, Executive Director of Finance and Performance

[121] Response to question asked by Bob Blackman AM at MQT on 16 November 2005

Appendix C: Mayor's Budget Guidance 2006/7

Mayor of London

GLA Group Budget Guidance Notes for 2006-07

June 2005

Appendices:

1.

Introduction

1.1 This document sets out formal guidance to the Greater London Authority (GLA) and the functional bodies for preparing their budget submissions covering the three year period 2006-07 to 2008-09.

1.2 The budget submission process is a key element of the planning framework which involves developing **three-year business plans** based on Mayoral objectives and priorities alongside **financial plans**. It aims to ensure that there are sound medium and long term financial plans within which all priorities and objectives are adequately funded. It also includes the preparation of detailed robust budgets each year which match planned outcomes with soundly based estimates of income and expenditure, government funding and council tax, and with appropriate and sufficient reserves.

1.3 The process is not simply concerned with looking forward. Assurance is also sought about performance on key deliverables in 2005-06, including spending and progress on new initiatives and the delivery of agreed savings, when considering future budget proposals.

1.4 The 2006-07 process itself is very similar to last year's process and it remains one of:

- Budget guidance issued by the Mayor revised throughout the process in light of emerging issues;
- Budget development by functional bodies and GLA;
- Budget submissions, which include budgets and business plans covering at least a three year period, scrutinised and approved by the functional bodies before formal submission to the Mayor in November;
- Mayor's budget proposals considered, prepared and issued for consultation in mid December; and
- Scrutiny by the Assembly's Budget Committee throughout the process.

1.5 This budget guidance will need to be kept under review in light of progress against the current year's budget, emerging issues, developments, etc.

2. Budget submissions

2.1 There are five key elements required in the budget submissions:

- A **Business Plan** covering at least the period to 2008-09 – this sets out what is planned to be achieved and it is expected that this will be based on existing business/corporate plans revised as appropriate;
- A **Budget Plan** for the three years 2006-07 to 2008-09 with supporting analysis and explanation – this sets out the resources needed to deliver the business plan;
- A **Budget and Equalities** submission and progress return – to both strengthen and help manage equalities considerations this will be a two stage process;
- A **Budget and Sustainable Development** submission – separate detailed guidance has been provided and accompany these notes; and
- A **Borrowing and Capital Spending Plan** for at least three years to 2008-09.

2.2 Budget submissions should be presented in a form that will allow them to be readily used in the Mayor's published budget documents. This will be of administrative benefit, minimising time spent on simply converting information provided in one format to another, and it should be helpful to formal budget consultees if information is presented in a similar format at the submission, consultation and decision stages of the budget process. However, if it is not expected that each member of the GLA Group should produce lots of new paperwork that just represents existing information – instead the submissions should cross-reference to existing plans and strategies where relevant.

2.3 The format has been developed over the past five years and the intention this year is to increase the emphasis given to demonstrating what the 'whole' budget delivers. This will require clearer links between budget and business plans, and in addition to specifying deliverables, defining measures to assess progress and impact.

2.4 The overall look of the budget consultation document and published budget as finally agreed should therefore have more of a feel of a corporate plan and include more performance information, with the published documents providing:

- **A three-year (or longer if appropriate) overview of strategic objectives and priorities and medium term financial planning and the outcomes that will be achieved over that period (see note above);**
- **Details of annual deliverables and finances needed to achieve them; and**
- **The measures to be used to assess performance towards meeting the deliverables.**

2.5 The format of the budget submissions will be discussed with officers across the GLA Group and the final format should be agreed by 31 July 2005.

3. Policy objectives

3.1 The purpose of the budget development process is to ensure that the budget is an accurate reflection of the Mayor's objectives and priorities. The overall focus remains one of continuing to deliver investment in London's infrastructure and public services, as set out in the Mayor's election manifesto. The budget submissions for 2006-07 to 2008-09 should therefore be developed reflecting the specific issues set out in Appendix A.

3.2 The list is not exhaustive and should be read as providing emphasis. The GLA and functional bodies are asked to ensure that submissions show the contribution each body is making to the implementation of these deliverables and any other mayoral priorities relevant to them. The submissions should be concise, providing information wherever possible in summary form.

3.3 The types of information submitted could include:

- High-level details of relevant service plans, targets and programmes;
- The timing and year-on-year profiles of those plans; and
- An assessment of the extent to which the authority is the lead or key partner for the deliverable.

3.4 The GLA Act provides for three cross-cutting themes: equalities, sustainable development (which is covered in separate budget guidance) and health. If the GLA and the functional bodies are or planning to undertake any specific health projects or initiatives, then the information submitted should separately identify these.

3.5 As stated in paragraph 2.3 it is expected that each submission will detail specific measures that will be used to demonstrate progress and impact. To assist the GLA Group develop this aspect Appendix A provides a list of desired outcomes. The GLA and the functional bodies should define targets for each outcome, and indicators that measure progress to be achieved by the end of the business plan period and include them within the budget submissions.

4. Budget planning options

4.1 Budget submissions should be developed in light of government expectations over increases in council tax and the level at which it might be capped. Minimum cash saving targets have not been set since these will be determined by a requirement to develop proposals to avoid capping.

4.2 Although this year's government capping principles were on its view that budget requirements would be excessive if there were an increase in budget requirement of more than 6 percent and council tax of more than 5.5 percent, it is the latter that is particularly relevant to the GLA Group. So subject to any further guidance issued later in the year, submissions should assume a council tax ceiling for planning purposes the same as the Government's intended maximum increase in council tax in 2005-06. This means that each member of the GLA Group should exemplify proposals to deliver:

- **A budget requirement for 2006-07, 2007-08 and 2008-09 that would result in an annual increase in that body's share of the GLA council tax precept limited to 5.5 percent.**

4.3 This parameter is not relevant to the LDA. Instead the LDA must demonstrate how it intends to secure efficiencies, evidenced by performance in 2005-06, which will increase the proportion of the total LDA budget allocated to direct programme expenditure.

4.4 It is recognised that a critical factor central to this parameter is future government grant levels. Each member of the GLA Group should therefore keep under review a best estimate of the level of government grant support that is expected and these will be thoroughly examined during the budget development process.

4.5 Unlike the past two years, this parameter includes the next stage of the Metropolitan Police's Step Change Programme to the extent it is not covered by any additional government grant that might be provided by the government from the Neighbourhood Policing Fund. However, the MPA's budget submission must detail how to achieve 624 safer neighbourhood teams by 2008.

4.6 It is also recognised that this parameter will have a different impact across the GLA Group, depending on final grant allocations and budget priorities. Each body should therefore develop a menu of proposals, if necessary, that could be brought forward if there is sufficient headroom within the resulting GLA Group council tax. These would be examined during the programme of budget steering group and officer-level meetings (see Section 9) before the Mayor consults on his budget in December.

4.7 Taking into account the inevitable uncertainties that exist, the budget submissions need to set out robust figures for future years which incorporate future new initiatives (including those financed by savings) and efficiency plans (including non cashable efficiencies). For options developed, the submissions should explain:

- The implications for the level of service delivery in 2006-07 and subsequent years;
- Any constraints that could limit the achievability of exemplified options; and
- The assumptions made on government grant levels.

5. Budget and equalities

5.1 As stated in paragraph 2.1 the budget and equalities process has been changed to a two-stage process to both strengthen and help manage equalities considerations. The first stage, which is integrated into the main budget submission process, is to concentrate on the service delivery and resource allocation aspects of equalities. The main equality priorities outlined in Appendix B will be covered in discussion in the budget steering groups (see Section 6) and the main budget submission should include a section covering equalities service plans, targets and programmes, giving a clear indication of the priorities.

5.2 A separate equalities progress return will be asked for by the end of April, for which further guidance will be issued in due course. This will allow a budget and equalities meeting held in May/June 2006 to review:

- Agreed budgets and deliverables for equalities projects and programmes;
- Equalities related employment issues; and
- Equalities policy and organisational issues.

5.3 Following the meetings a report reviewing the progress on budget and equalities issues will be issued in August, in time to influence the budget cycle for 2007-08.

5.4 As a result of this process:

- Before his budget is finalised the Mayor should be adequately informed of the main equality issues facing the organisations in the GLA Group, their approach to taking these issues forward in terms of service plans, targets and programmes, and of any material budget and resource issues;
- By the end of the process the Mayor should be in a position to comment authoritatively on the targets set by each organisation in the group and their performance against such targets and on the level of resources they plan to commit; and
- The GLA should be able to build up expertise on high level policy approaches to equalities and be able to share such expertise and disseminate good practice within the GLA Group, with other public bodies and with the private sector.

5.5 In addition, a satisfactory process should make a major contribution towards allowing each organisation in the GLA Group to demonstrate that it is fulfilling its statutory obligations. The process also provides an independent evaluation mechanism which allows the rest of the GLA Group to satisfy one of the essential criteria of Level 5 of the Equality Standard for Local Government.

6. Managing the budget submission process

Budget steering groups and officer meetings

6.1 This year more formal use will be made of existing links/meetings between the Mayor and the functional bodies to discuss budget development and priorities. In addition a programme of meetings between functional bodies and the Mayor will be held during October and a timetable will be circulated in due course. This range of meetings will enable the Mayor to:

- Review delivery of the 2005-06 budget;
- Direct the 2006-07 budget process, ensuring that it remains valid and responsive to emerging needs and that budget information reflects mayoral priorities;
- Ensure that there would be consistency and integration across the GLA Group on relevant issues;
- Ensure that all budget submissions are delivered as required; and
- Ensure that the submissions can be readily consolidated into the Mayor's budget proposals and issued for consultation.

6.2 These arrangements will be supported by a series of monthly officer level meetings to aid the development of the submissions and to prepare for the Mayoral level meetings. This year both these officer level meetings and Mayoral level meetings will include consideration of the main equalities priorities.

Changes to budget proposals

6.3 The deadline for submissions is similar to that for last year. However, the submissions will be refined and revised as necessary before the final budget is approved in February. Amendments will be incorporated at the following stages:

- Early December (after the announcement of the Government's draft local government settlement): changes to be picked up as part of the process of formally preparing each component budget;
- Early January: further changes to be picked up as part of the process of responding to the consultation on the Mayor's draft consolidated budget; and
- End of January/beginning of February (after the announcement of the Government's draft local government settlement): final changes to be picked up in the Mayor's final draft consolidated budget to the Assembly.

7. Financial information

7.1 Although it is the intention that the budget documentation should have more of a feel of a corporate plan, a lot of detailed financial information is still required. Appendix C to this report sets out the financial information to be included in the budget submissions. The final part of that Appendix relates to information needed for the draft capital spending plan and prudential borrowing limits.

8. Dialogue with budget consultees

8.1 The statutory framework for consultation on the Mayor's budget proposals is restricted by the time available (mid December to mid January). To complement and prepare for this part of the budget process, each body should maintain a dialogue with, and provide information to, key stakeholders before budget submissions are finalised.

8.2 The main purpose of this dialogue is to:

- Obtain stakeholders views on policy priorities and options; and
- Communicate with stakeholders so they are better prepared to respond to the Mayor's formal budget consultation.

8.3 The dialogue should be GLA/functional body specific and should focus on the services provided by the functional body and the relative priorities of each service. The issue of the costs of these services would then be specifically addressed later in the process by the Mayor's consultation, however costs and the likely impact on the precept should be discussed as part of the dialogue.

8.4 Functional bodies should communicate with a wide range of stakeholders with the aim that stakeholders should be left in a position where they will feel able to provide informed opinions in response to the Mayor's formal consultation in December/January. Appendix D provides details of stakeholders were consulted by the Mayor for 2005-06. These are being reviewed and the GLA will be writing to stakeholders to inform them that they will be consulted on the Mayor's budget proposals and that they will receive information from functional bodies as their budget submissions are being prepared. Subject to be notified of any changes, the stakeholders listed in Appendix D should be consulted where relevant and functional bodies should consider contacting additional organisations.

8.5 The budget submission should provide the following details:

- Who was communicated with/consulted;
- The period during which this was undertaken;
- The information provided/issues on which consultees were asked to comment;
- An analyses of any responses received;

- Feedback received on the consultation/communication undertaken; and
- Feedback from functional bodies on what it was felt was gained by the exercise, including what was taken on board.

9. Timetable for submissions

9.1 A provisional timetable is set out in Appendix E. Budget submissions are due by or on **14 November 2005.**

10. Monitoring performance

10.1 The financial and organisational performance of each body, including progress in implementing the 2005-06 budget and equalities recommendations, will be regularly monitored by the GLA. This requires robust information to be provided throughout the year and it is important that up to date information is available to inform the submission, consultation and decision stages of the budget process.

11. Assembly's Budget Committee scrutiny

11.1 This guidance does not cover the Assembly's Budget Committee's scrutiny process. This is a different process and the Budget Committee will be requesting information at key stages and there will be a requirement for members and officers of each body to attend Committee meetings as appropriate.

12. Contacts and further information

12.1 A checklist of information to be provided is set out in Appendix F for completion. If any further information or clarification is required then please contact:

Anne McMeel	Executive Director of Finance and Performance	7983 4172
Martin Clarke	Head of Strategic Finance	7983 4233
Tom Middleton	Senior Performance Manager	7983 4257
Ray Smith	Budget Development Manager (MPA)	7983 4148
Adrian Bloomfield	Budget Development Manager (LFEPA)	7983 4165
Peter Greig	Budget Development Manager (TFL)	7983 4254
Geetha Blood	Budget Development Officer (LDA)	7983 4642

Appendix A

Specific issues to be addressed in Business Plan and Budget submissions

Body	Issues
All	▪ Supporting the London 2012 Olympics[122] ▪ Working together to support the delivery of the London Plan ▪ Dealing with terrorism and other catastrophic events ▪ Improving performance, including key points arising from: improvements to core processes, e-government plans, procurement initiatives, action plans arising from IPA reviews, efficiency plans produced in response to Gershon and examples of joint working within the GLA Group ▪ Increasing supplier diversity and fair employment practices through GLA Group procurement activities ▪ Providing meaningful performance information to the London public (which would include through the Londoner) so that Londoners understand what they are getting for their investment ▪ Promoting equalities (see Appendix B)

MPA	The deliverables for the MPA/MPS are cast within the framework of PSAs set by the Government for the Police and for Crime and Disorder Reduction Partnerships
	▪ (PSA1) to reduce crime by 20% by 2007-08.
	    ▪ Reduce robbery, burglary and violent crime in the capital
	    ▪ Reduce the volume and victimisation rate for race and religious hate crime, rape, sexual offences and violence against women
	▪ (PSA2) to reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the Criminal Justice System (CJS) without compromising fairness
	    ▪ Submit proposals for five additional safer neighbourhood teams for each borough so local people are served by a visible dedicated team of officers providing reassurance and working on local priorities
	    ▪ Increase the safety of public spaces including parks and open spaces
	    ▪ Increase the safety of transport interchanges through joint work with TfL and BTP
	    ▪ Demonstration on how the Service Review will deliver £300 million additional resources to front line policing
	    ▪ Tackling and reducing all types of anti-social behaviour in the capital and contribute

[122] The IOC will award the 2012 Olympics to one of five candidate cities (London, Paris, Madrid, New York, Moscow) in July 2005. Further budget guidance will be issued in the light of the decision made

Body	Issues
	■ to partnership working through the London ASB strategy ■ Build confidence of London's BME and other discriminated communities in policing through creating a workforce that reflects the diversity of London and by improving the recruitment retention and promotion of women ■ (PSA3) to bring 1.25 million offences to justice in 2007-08 ■ Bridge the gap to increase the number of successful prosecutions and convictions for rape and sexual offences ■ Increase the number of successful convictions for race and religious hate crime ■ Support to victims and witness to increase the number of successful prosecutions so that more guilty offenders are convicted for their crimes ■ (PSA4) reduce the harm caused by illegal drugs including substantially increasing the number of drug misusing offenders entering treatment through the CJS
LFEPA	■ Implementing the modernisation agenda and deriving benefits from a risk-based approach to fire safety issues ■ Investing in emergency planning equipment and staff resources ■ Tackling and reducing arson-related anti-social behaviour as part of the contribution to the London Anti-Social Behaviour Strategy ■ Significant progress in implementing the Mayor's pledge to provide free fire assessments and smoke alarms for pensioners ■ Working towards government workforce targets for the fire service
TfL	■ Meeting LU performance targets and delivering planned infrastructure improvements ■ Extending the East London Line and improving the Silverlink line ■ Working with partners to deliver a fully integrated public transport fares structure ■ Achieving the westward extension of the Congestion Charge Scheme, subject to the outcome of the public consultations ■ Taking forward tram and transit schemes ■ Progress the implementation of the Low Emission Zone ■ Delivering the London Cycle Network and pedestrian improvement plans ■ Progress the implementation of the access action plan including improvements to Underground accessibility, and the levels of provision planned for door-to-door transport ■ Increasing employment of women on buses running services for TfL ■ Increasing the efficiency of road network operation, including for business

Body	Issues
	▪ Contribution towards delivery of the London ASB strategy
LDA	▪ Contributing to the provision of adequate infrastructure for London to permit sustainable continuation of its economic growth ▪ Contributing to delivery of development and regeneration of the Thames Gateway ▪ Meeting agreed targets for affordable childcare places and provision of free pre-school childcare for over-3s and childcare centres at primary schools ▪ Expanding action to encourage increasing investment from rapidly growing economies (India, China, Russia) ▪ Continuing support for delivery of Mayoral priorities for landmark development projects such as Crystal Palace ▪ Providing leadership and direction to implement the Mayor's policies on addressing London's skills issues
GLA	▪ Securing delivery of London Plan targets for homes, including affordable homes ▪ Meeting the Mayor’s environmental objectives including waste recycling targets ▪ Staging and promoting an annual programme of cultural, sporting and business events and festivals which celebrate and reflect London’s diversity or promote key Mayoral policies for example on the environment ▪ Supporting, developing and staging major public events and festivals that promote London to a national and international audience ▪ Ensuring London's newer communities are integrated into the Mayor's programme of engagement with Londoners

The Mayor's desired outcomes

Outcome	GLA/FB Lead
Public safety	
Fall in crime in the capital	**MPA**
Londoners feeling safer and respecting the capital	**MPA**
A police and fire service that reflects the diversity of London	**MPA, LFEPA**
Transport	
Demonstrable improvement in LU's performance	TfL
Demonstrable progress on key infrastructure projects	**TfL**
A more sustainable transport network	**TfL**
Housing	
Accelerate the increase in London's housing supply, including affordable housing, focusing on the Thames Gateway	**LDA, GLA**
Sustainable economic growth	
Sustainable increase in living standards and quality of life of Londoners including maximising the level of employment for Londoners	**LDA**
Enhance further London's position as Europe's only real world city and increased productivity	**LDA**
Equalities and social inclusion	
Remove barriers preventing Londoners getting out to work	**LDA**
Fair business practices	LDA
Fair share of economic prosperity for minority groups	LDA
Environment	
Consumption of fewer resources and improvements to the quality of London's environment	ALL
Increased levels of recycling	GLA
Promoting London at home and abroad	
Strategic promotion of London as the leading world city for the 21st century	**ALL (and Visit London)**

Appendix B

Promoting equalities

Equality groupings

1. The GLA Group has identified the following main equality groups:

- Black and ethnic minorities
- Children
- Disabled people
- Lesbians, gay men, bisexuals and transgendered people
- Older people
- Faith Groups
- Women
- Young People

2. Black and ethnic minorities and faith groups include the following:

- African-Caribbean
- African communities including a developing process of working with different communities within this broad category
- Arab communities
- Bangladeshi
- Chinese
- Hindu
- Indian
- Irish
- Jewish
- Kurdish
- Muslim
- Pakistani
- Refugees and asylum seekers
- Sikh
- Sri Lankan (Tamil and Sinhalese)
- Turkish

Appendix B

Promoting equalities

3. The GLA Group has from time to time also identified some social inclusion target groups (eg Asylum Seekers, people with mental health needs, unemployed people). Functional bodies should ensure that appropriate actions to meet the needs of such groups are included in their business plan and budgets.

4. Policy development should consider all the above, with due regard to weight of population and socio-economic indicators as informed by DMAG statistics and other quantitative policy research.

General Approach

5. All functional bodies are asked to ensure mainstreaming of equalities and stakeholder issues and contributions to mayoral events (conferences and cultural events) and stakeholder projects as part of their core business, rather than operating as branding and sponsorship activities.

6. The GLA and the functional bodies have committed to being exemplary employers and striving to reach Level 5 of the Local Government equalities Standard. As a result functional bodies are already committed to put into practice policies which reduce harm at work, promote fair terms and conditions and the Living Wage and promote health and safety. This commitment can be reinforced by a commitment to signing the Health and Safety Accord for London.

Stakeholder framework

7. Functional bodies should ensure that the Mayor's stakeholder framework is incorporated in its approach to equalities issues. This may result in some change of emphasis in programme budgets.

8. The approach taken should be to celebrate and promote London's diversity, its global character and the strengths arising from historical and contemporary international linkages. Budget and business plans must be underpinned by a clear aim to redress inequality of outcome both in the short term and medium term and will be strengthened if they include a clear explanation of the range and extent of consultation and engagement processes. These should be predicated on the assumption that communities define themselves, have particular and specific cultures, needs, aspirations and contributions and that stakeholders should have an equal part in dialogue on policy development and service delivery.

Specific projects and initiatives

9. Specific projects and proposals will be discussed in the overall process for taking into account equalities in business plan and budget development, and should address the following issues:

MPA

- Progress in accepting and implementing the recommendations of the CRE investigation, the Taylor report and the Morris enquiry
- Plans for reducing Hate crime, including hate crime directed at disabled people
- Plans for monitoring children as victims, witnesses and offenders
- Progress on implementing the recommendations in the Mayor's London Domestic Violence Strategy
- Plans for developing different approaches to recruitment training

Transport for London

- Ensuring that the needs of all key equalities groups are fully considered as part of the development of transport schemes
- Making stations safe for women/for all as a development of the Safer Travel at Night (and day) initiative
- Increasing the numbers of women private hire and taxi drivers

LFEPA

- Fire prevention and arson reduction schemes targeted at diverse communities
- Progress in implementing the Mayor's pledge to provide free fire assessments and smoke alarms for pensioners

LDA

- Particularly target business interventions, businesses created/safeguarded, learning opportunities and people into employment on black, Asian and minority ethnic, women and disabled people
- Raising the profile of, developing priority actions for, and influence education providers regarding improving skills acquisition at school of Bangladeshi, Turkish, Kurdish, and Pakistani students, in addition to the further developing the existing London Schools and the Black Child project
- Increasing diversity in the private sector in particular through the Diversity Works initiative

- Strengthen work with London's diverse communities, taking account of intelligence gained from Mayor's office engagement with these communities
- Expand the Women in London Economy project by adding promotion of training for women in non-traditional trades and professions, and developing a Framework for Women's enterprise.
- Promote initiatives on training for refugees, including professionals

At the end of April functional bodies will be asked to complete an equalities progress return asking for deliverables and budgets on the various different projects and initiatives agreed to address the above issues.

Appendix C

Financial information required

Component budgets

Service Analysis

1. The main financial element of the budget submissions will be an analysis of budget proposals for the three years 2006-07 to 2008-09 with comparative figures for 2005-06 (both original budget and forecast outturn, and if the figures for 2006-07 reflect any service re-organisation figures for the previous year must be re-stated) showing:

   - Income to be raised and expenditure to be incurred in providing the complete range of services provided by the body
   - Capital financing costs (including capital expenditure charged to revenue)
   - External interest receipts
   - All estimated specific grants
   - Transfers to and from reserves
   - Any other financial charges and adjustments
   - The resultant budget requirements

2. The budget proposals must be supported by a detailed explanation of changes from the equivalent budgeted figures for 2005-06, separately identifying changes in each of three years due to:

   - Inflation
   - Changes in service levels (making a distinction between those which are committed and those which are new initiatives)
   - Savings and efficiencies
   - Income variations (including specific government grants)
   - Any other significant reasons

Subjective analysis

3. A subjective analysis must also be submitted covering the three-year plan period, including a comparison with 2005-06 figures.

New initiatives and service improvements

4. A clear distinction must be made between full year effects of new activities approved in 2005-06 or earlier years – these are committed service increases – and proposed new initiatives. However, for clarity, the definition of new initiatives is restricted to new provision of new services and service improvements, including those to be funded by a redeployment or more effective use of existing resources.

5. Expenditure on new initiatives/service improvements planned for each of the three years 2006-07 to 2008-09 will be expected to satisfy at least one of the following criteria:

   - It assists in the implementation of any mayoral strategy, general mayoral policy or priority
   - It ensures that statutory obligations are fulfilled
   - Enhanced performance can be demonstrated
   - Expenditure is fully funded from government or other specific grants or other savings

6. For each new initiative/service improvement an analysis should be provided, which includes:

   - A brief description of the proposal including the expected service improvement or deliverable
   - The cost in each of the three years 2006-07 to 2008-09

Savings and efficiencies

7. Budget submissions must demonstrate that there has been a rigorous pursuit of efficiencies on existing services and structures. This requires a thorough examination of the existing cost base to identify both possible savings (including maximising income) and any effect on service levels should the savings be implemented. Therefore an analysis should be provided, which includes:

   - The assumptions made on elements of the budget that are and are not reducible in the short term, with savings required expressed as a percentage of that reducible amount
   - A brief description of the expected savings to be achieved, separately identifying cashable and non cashable savings
   - The saving in each of the three years 2006-07 to 2008-09
   - A comparison/reconciliation of the amount of savings with government targets for each body

8. In addition to providing an analysis of savings, submissions should also outline:

   - Progress in achieving efficiencies and savings agreed as part of the 2005-06 budget, including the latest available estimate of projected financial performance in 2005-06
   - Progress against Annual Efficiency Statements submitted to government

Reserves and general balances

9. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate full compliance with the revised guidance on local authority reserves and balances issued by CIPFA in June 2003, submissions must include:

   - A statement of reserve policy
   - Details of all reserves and general balances
   - An analysis and explanation of the expected movements between the start and end of each year from 1 April 2005 to 31 March 2009
   - In the case of earmarked reserves held for purposes beyond 2008-09, an indication should be given as to when they are likely to be applied
   - Proposed allowances for contingencies separately identified and justified

Inflation factors

10. There is no specific guidance for pay and inflation rates to be used. However, submissions must include details of the inflation assumptions (for both pay and non pay costs) and all figures must be at outturn prices.

Robustness of estimates and adequacy of reserves

11. To help meet the statutory requirements of the Local Government Act 2003, the submissions must include a report by the Chief Finance Officer on the robustness of the proposed budget estimates and the adequacy of the proposed financial reserves.

Borrowing and capital spending

Borrowing limits

12. Under the Local Government Act 2003, the Mayor has the duty of determining authorised limits for the GLA and each of the functional bodies in respect of external debt after consulting the London Assembly and the functional bodies in respect of their own limits. Budget submissions must therefore include:

    - Estimates of proposed authorised limits over the capital spending plan period 2006-07 to 2008-2009. These estimates must be justified by reference to the requirements of the Prudential Code, including providing calculations of the prudential indicators, and supported by a draft capital spending plan (see below)

    - The level of borrowing required to support the draft capital spending plan, showing separately new borrowing which does not attract government grant support (unsupported borrowing) from supported borrowing

Capital spending plan

13. The draft capital spending plan should include:

    - The funding available, detailing the various sources (any borrowing under the Prudential Code should be consistent with the figures provided in meeting the requirements of paragraph 12 above), to meet capital requirements for the three years 2006-07 to 2008-09 and later years if this is available.
    - An analysis of all the proposed projects providing for each project:
        - The name/title of the project
        - Total cost of the project (for the purpose of this exercise minor projects can be grouped together)
        - Previous years' expenditure (in total)
        - Cost in 2006-07
        - Projected cost in the next two years, 2007-08 and 2008-09
    - A statement linking capital expenditure to the delivery of objectives/priorities
    - The revenue/operational expenditure consequences of the overall draft plan, including debt management costs, which must be identified and fully reflected in the revenue budget proposals, and separately identifying those consequences arising from projects that are expected to be funded by supported borrowing from those funded by unsupported borrowing
    - A statement outlining how projects have been prioritised
    - A statement outlining how performance is to be monitored and evaluated

14. Both the capital spending plan and the prudential borrowing will need to be reviewed as plans develop during the period leading up to their publication dates.

Appendix D

2006-07 budget consultees

1990 Trust, The
African Caribbean Business Network
Age Concern
Amicus
Asian Business Association
Association of London Government
Black Londoners Forum
Capital Transport Campaign
Confederation of British Industry
Confederation of Indian Organisations
Commission for Racial Equality
DART (DialaRide and Taxi Users)
Disability Rights Commission
Environment Agency
Equal Opportunities Commission
Friends of the Earth
Greater London Action on Disability
Lesbian, Gay and Bisexual Voluntary Sector London Consortium
Living Streets
London Assembly Members
London Boroughs
London Chamber of Commerce and Industry
London Children's Policy Forum
London Civic Forum
London Council for Voluntary Services
London Cycling Campaign
London First
London Health Commission
London Mental Health Advocacy Network
London Older People's Strategy Group
London Regeneration Network
London Sustainable Development Commission
London Transport Users Committee
London Voluntary Sector Training Consortium
National Council for Voluntary Organisations
Refugee Council
Road Peace
Runnymede Trust, The
SERTUC (South East Region Trade Union Congress)
Terence Higgins Trust
Third Sector Alliance
Transport 2000
Unison
Victim Support
Women's Resource Centre
Women's Rights Centre

NB These are being reviewed and any changes will be notified in due course

Appendix E

Mayor of London's budget process 2006-07 – timetable

30 June	**Issue Mayor's initial budget guidance for 2006-07**
Oct	Programme of meetings with Mayor (Budget Steering Groups)
Jun to Nov	Programme of officer level meetings with functional bodies (including budget and equalities meetings)
Jun to Dec	Budget Committee scrutiny of functional body budgets
Jun to Jan	On-going dialogue with budget consultees
14 Nov	**Detailed budget submissions to Mayor**
End Nov/early Dec	Consult Budget Committee and functional bodies on draft component budgets
13 Dec	**Statutory consultation on consolidated budget**
Dec to Feb	Budget Committee scrutiny of Mayor's budget proposals
15 Jan	Issue draft capital spending plan, including consultation on proposed borrowing limits, before this date
Jan tbc	**Assembly to consider draft consolidated budget**
Feb tbc	**Assembly final consideration of consolidated budget**
Feb tbc	Issue council tax leaflet
28 Feb	Issue capital spending plan before this date
31 Mar	Authorised Limits for borrowing agreed by this date

Appendix F

Budget submission checklist

Checklist to be completed and included in the budget submission

Submissions to consist of (para. 2.1):

Budget Plan
Business Plan
Budget and Equalities submission
Budget and Sustainable Development submission
Capital Spending Plan

Submission to meet the following requirements:

Be presented in the form of the Mayor's budget documents (para. 2.2)

Address the specific issues set out in Appendix A (paras. 3.1 to 3.3)

Address desired outcomes set out in Appendix B (paras. 3.4 to 3.5)

Budget requirement for the three years that would lead to an increase in own share of council tax precept limited to 5.5 percent (paras. 4.1 to 4.3)

Include best estimate of level of government grant (paras. 4.4 and 4.5)

Develop a menu of proposals, if appropriate (para 4.6)

Robust figures for future years which incorporate new initiatives and efficiency plans (para. 4.8)

Be prepared following consultation/communication with stakeholders (paras. 6.3 to 6.7)

Submission content to include (Appendix C):

Service analysis for the years 2006-07 to 2008-09 and supporting explanation of changes from equivalent 2005-06 figures (paras. 1 to 2)

Subjective analysis for the years 2006-07 to 2008-09 and explanation of changes from equivalent 2005-06 figures (para. 3)

Details of new initiatives/service improvements for the years 2006-07 to 2008-09 (paras. 4 to 6)

Information on implementation of 2005-06 new initiatives (para. (to be included)

Information on efficiency savings for the years 2006-07 to 2008-09 (para. 7)

Information on achievement of 2005-06 efficiencies and savings (para. 8)

Information on reserves and balances from 1/4/05 to 31/3/09 (para. 9)

Inflation assumptions (para. 10)

Appendix F

Budget submission checklist

Chief Finance Officer report on robustness of proposed budget estimates and adequacy of the proposed financial reserves (para. 11)

Proposed affordable borrowing limits and prudential indicator calculations (para. 12)

Draft capital spending plan and supporting information (para. 13)

Details of dialogue and feedback with Budget Consultees over proposals (paras. 6.3 to 6.7)

Mayor of London

GLA Group Budget and Sustainable Development Guidance for 2006-07

June 2005

1. Introduction

1.1 Last year the GLA introduced a budget and environment process. This allowed members of the GLA Group to demonstrate the extent to which environmental considerations helped shape policy and resource allocation. It also allowed them, and the GLA, to assess some of the progress they had made in implementing the Mayor's environmental strategies. The process resulted in a Budget and Environment review report.

1.2 The review identified several organisational and policy issues that it is important to move forward. At the same time the political importance of environmental issues is going to continue to grow in importance.

1.3 Building on this process, this year we want to move to a budget and sustainable development process. The process helps the Mayor to fulfil his responsibilities under the Greater London Authority Act 1999 which requires the Mayor to have regard to the achievement of sustainable development in the UK in all GLA activities. In addition "promoting the improvement of the environment in Greater London" is one of the principal purposes of the GLA (GLA Act 30 2c)

1.4 The Mayor has also adopted the definition of sustainable development proposed by the London Sustainable Development Commission (Sustainable development is simply about creating a better quality of life for everyone now and in the future). Consequently the GLA seeks to achieve environmental, social and economic development simultaneously with the objective of making London an exemplary sustainable world city.

2. The Process

2.1 A meeting of the relevant officers will be held during the summer to consider the recommendations of the 2005-06 review and identify any problems and to clarify this guidance where necessary.

2.2 **GLA Group members are asked to return the information requested, which is outlined in Section 4 below, by the end of September.**

2.3 Budget and Sustainable Development review meetings will be scheduled for each member of the group during October and November. The purpose of these meetings is to enable GLA officers to have a clear idea of the plans, priorities, costs and targets for the GLA Group.

2.4 A short report by the GLA will be issued after due consultation with the GLA Group members. It is hoped to issue this by end December. The report will cover:

- The effectiveness of the organisational arrangements each functional body has made to carry forward environmental issues.
- An assessment of their existing strategies and action plans.
- What additional actions each functional body needs to take to carry forward the Mayor's sustainable development objectives and environmental strategies, with particular reference to their likely budget for 2006-07.

3. Planned outcomes of the process

3.1 As a result of the process:

- The Mayor should be suitably informed of your plans to ensure that his manifesto and strategy commitments are implemented.
- The Mayor will be informed of the other main environmental and sustainability issues facing the organisations in the GLA Group, their approach to taking these issues forward and of the resources committed by each organisation.
- The Mayor should be in a position to comment authoritatively on the targets set by each organisation in the group and on the level of resources they plan to commit.
- The GLA should be able to build on their existing knowledge and expertise on high level policy approaches to sustainability and the environment and be able to share such expertise and disseminate good practice within the GLA Group.

3.2 In addition, the process should make a major contribution towards allowing each organisation in the GLA Group to demonstrate that they are fulfilling their statutory obligations.

4. The budget and sustainable development return

4.1 Each budget and sustainable development return should consist of the following:

(a) A short overview of your main sustainable development priorities over the next three years; what you expect to be achieved in that time; and how the delivery of these priorities relate to the Mayor's Environmental Strategies and sustainability objectives. Because sustainable development and planning emphasises the connections between environmental, social and economic factors, and seeks to maximise beneficial returns from all three areas simultaneously in policy and practice sustainability can only be delivered by moving beyond the traditional 'silo' approach to policy-making, budget-setting and implementation. You should therefore explain how sustainability will be driven by senior decision-makers within your organisation, how they will be supported by sufficient appropriate expertise at relevant organisational levels and how sustainability and environmental policies and perspectives are developed and integrated into your business planning and budget processes.

(b) A copy of your existing sustainable development and environmental strategies and action plans, and a statement showing the current 2005-06 budget allocations for the main components of these plans, and an estimate of the likely 2006-07 budget allocations. These plans should outline the contribution you can make to helping the Mayor achieve his sustainability and environmental outcomes and deliverables and cross reference where appropriate to the London Sustainable Development Commission Quality of Life Indicators. Current priorities include:

- Establishing a climate change agency to deliver carbon reduction
- Introduction of a low emission zone by the end of 2007
- Improving the quality of public realm in parks and open spaces, the including the development of Crystal Palace.
- Achieving a target of 50% waste recycled by 2010
- Establishing a single waste authority

You should also describe the progress you have made in implementing the recommendations of the 2005-06 Budget and Environment Report.

(c) If not covered in (a) and (b), how you plan to address the following issues. Please address not only your own organisational performance but also your wider work programme whenever appropriate.

- Current and planned actions to address climate change and your specific plans for improving energy efficiency and developing your use of renewable energy, including hydrogen-based fuels.

- Current and planned actions for reducing waste. Include any plans for reducing consumption, including water consumption, as well as plans for reducing waste through minimisation, for recycling and for supporting sustainable waste management.
- Current and planned actions for minimising noise.
- Current and planned actions for improving air quality
- Current and planned actions for protecting, enhancing and expanding London's green and open spaces, waterways, biodiversity and wildlife.
- Current and planned actions for ensuring that environmental and sustainability considerations are built into your procurement functions.
- Current and planned actions for reducing the use of motorised transport, particularly the private car and encouraging walking and cycling
- Ensuring environmental and sustainability principles are integrated into your procurement function
- Improving the quality of life, including the health of Londoners

(d) Where possible please identify relevant targets, both headline targets (such as C02 emissions) and the subsidiary ones that will need to be met to achieve the headline target. The budget and environment returns should make clear the extent to which such targets will be met, or what budget changes would be needed to achieve them. Where targets and performance indicators are not yet in place, please indicate how key issues are being addressed.

5. Contacts and further information

5.1 We are anxious to help minimise any problems. If there are problems or you want advice please contact Peter Greig on 7983-4254 or Shirley Rodrigues on 7983-4300.

GLA Specific Guidance

The GLA return should outline plans for:

- Enforcing construction standards
- Encouraging borough- based climate change initiatives (e.g. energy action areas, energy advice centres, zero carbon developments)
- Supporting the reduction of London's empty properties

TfL specific guidance

Please outline your plans for 2006-7 to 2008-09:

- Travel demand management, increasing travel awareness and workplace travel plans, facilitating walking and cycling, and progress on the London Cycling Network
- Taking forward the London LEZ scheme to improve air quality.
- Increasing the use of renewable energy by London Underground
- Sustainable freight, including freight by water
- Ensuring that sustainable transport work is properly resourced
- Delivering Safer routes to school, school travel plans and provision for school cycle parking and cycle training for schools
- Increasing road safety, including the level of resources planned for boroughs, support for local road safety teams and the introduction of 20 mph limits around schools where appropriate
- Increase recycling of waste on or near Underground stations
- Surveying road and rail sides, and reviewing and enhancing biodiversity and wildlife sites on this land.

LDA Specific Guidance

Please outline your plans for 2006-7 to 2008-09:

Taking forward:

- Climate change. As well as your plans for the climate change agency please outline any support for Energy Action Areas, zero carbon developments and local energy advice centres
- The East London Green Grid, the Blue Ribbon Network and the "park of parks" project
- Biodiversity projects, and work to develop an indicator to measure the changes in the biodiversity value of land
- Waste reduction and re-processing, re-manufacturing and recycling projects, including the Plastics Recycling Project
- Supporting waste minimisation and composting campaigns
- Support for Sustainable Industries Research and Development Park (an expanded sustainable technology resource centre focusing on the development of manufacturing of renewable energy products, re-manufacturing from used materials, development of hydrogen fuels).
- Increasing sustainable design and construction skills
- The Hydrogen Partnership
- Implementation of the London Food Strategy
- Communication and awareness raising projects such as the Future London show, the London Eco Advice and demonstration shop and sustainability week
- Support planning and delivery of public space and environmental improvements within the Thames Gateway and at other key sites such as Brixton, Waterloo, Southall, Tottenham, North Kensington, Colindale, Acton Town, Richmond and Mitcham