GREATERLONDONAUTHORITY
Mayor's Office

City Hall
The Queen's Walk
More London
London SE1 2AA
Switchboard: 020 7983 4000
Minicom: 020 7983 4458
Web: www.london.gov.uk

John Biggs AM
Chairman of Budget and Performance Committee
City Hall
The Queen's Walk
More London
London SE1 2AA

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Dear John

Budget and Performance Committee on 14 January 2013 and response to the draft consultation budget for 2013-14

Thank you for your letter of 17 January requesting further information arising from your Committee's meeting on 14 January and for your letter of 23 January enclosing your Committee's response to my draft consultation budget. I set out replies to each point made below.

Budget and Performance Committee on 14 January, 2013

1. *Summaries of each policing pilot, such as Project Hannah in Lambeth, that were evaluated in putting together the Policing and Crime Plan.*

Set out below is a brief summary of operational pilots the MPS undertook in the London Boroughs of Lambeth and Brent in relation to response and neighbourhood policing services (Op Hannah and Op Erin) and the learning they provided in the development of the Local Policing Model (LPM).

Lambeth: Op Hannah

Overview
Op Hannah was a pilot project that aimed to develop and implement a cost efficient model for response policing that would deliver more effective local services. The pilot ran from 14 February 2011 to 11 September 2011.

Pilot model
Op Hannah's model was initially divided into four segments:

- Response teams were significantly reduced and services limited to only respond to 'Immediate' and 'Soon' grade calls.

- Local Policing Teams (LPTs) were introduced, which would respond to 'Extended' and 'Referred' grade calls. When not dealing with calls these could act in a pro-active manner to support Safer Neighbourhood Teams (SNTs) and run an appointment car.
- Safer Neighbourhood Teams operated in a similar way but had the additional support of the LPT.
- A Borough Support Unit (BSU) was introduced, which could provide additional officers to fulfil roles that would otherwise create abstractions in response teams (e.g. constant watches and hospital guards).

Initially there were three separate radio channels for response and another three for the LPTs however, owing to safety concerns this was later reduced to four channels, two North and two South for response and the LPTs. The role of the borough Integrated Borough Operations (IBO) Office was removed from borough and relocated to Central Command & Communications (CCC) complex.

Results
Op Hannah has continued beyond the pilot period. The BSU was not sustainable owing to abstractions caused by increased aid commitments. Response worked well initially with numbers reduced by 50% yet 'Immediate' and 'Soon' response times meeting MPS targets. However, this was hard to sustain in the longer term with the reduction in the numbers of response officers. 'Extended' and 'Referred' performance dipped owing to abstractions on the LPTs and response officers having to service these calls.

Brent: Op Erin Outline

Overview
Op Erin went live on the 4th April 2011 and ran for 30 weeks. As with Op Hannah, the pilot aimed to create a more cost effective and efficient model for response policing.

Pilot Model
Op Erin was organised in a similar way to Op Hannah. Brent offered a different policing area and while the LPTs in Lambeth were supervised through the SNTs in Brent they were supervised through the Operations Department.

Results
As with Op Hannah, Op Erin experienced a difficulty in maintaining LPT numbers owing to abstractions to support response and service aid demands. Brent's Immediate' and 'Soon' response times remained above the MPS target.

Lessons Learnt for the LPM
Implementation
Brent staggered their introduction of the pilot in several stages; they had previously transferred their IBO to CCC and introduced a new shift pattern. Lambeth implemented every element of Op Hannah on the same day including all new teams, no IBO, new radio channels and a new shift pattern; this resulted in significant management challenges and service problems. The learning gained from this was that a phased introduction works more effectively.

Response numbers
Lambeth could not supply the recommended numbers for response and as a result were regularly short of people, resulting in a knock on effect of abstractions from LPT and BSU. This meant they could not complete their respective roles. Brent ran their response teams with the recommended numbers on response and exceeded MPS response time targets. As the pilot continued, the numbers on LPTs diminished, leading to response teams taking on LPT roles and a consequent downturn in response times. The learning gained was that smaller response teams focused on 'Immediate' and 'Soon' calls was viable, when the required staffing levels are maintained. Once these levels drop significantly, performance levels are not maintainable.

Radio channels
The problem of multiple radio channels at Lambeth directly influenced the modelling for radio use for the LPM.

Multiple teams and supervision
An increase in Neighbourhood officers allowed for more proactive tasking around local issues and an increase in follow ups. In Brent the LPT were tasked by their Operations team who were able to provide adequate supervision. Lambeth's LPT was placed under SNT supervisors and the pilots found that this was less effective as the supervision was more distant and had reduced availability. This combined with LPT officers being abstracted to support response teams created overlaps between the two roles. The learning from this was to develop larger more resilient units with clear roles and responsibilities.

Public Confidence
Brent and Lambeth both received positive feedback from members of the public who were pleased to see an increased number of officers on the streets. The increase in the number of officers in SNT is a fundamental principle of the LPM.

2. *Annual savings from MOPAC's estates rationalisation programme, broken down by the ten property portfolio elements from the draft MOPAC estate strategy consultation document. In addition, annual financial impacts from the changes to each of the 137 counters proposed in the annex to that document (page 38-42).*

The table on page 13 of the draft Estates Strategy shows the current running costs for each portfolio and is replicated below:

Port-folio	Description	Size (sq m)	No. of properties	Direct running costs £000s (2011/12)	Target Running Cost (£000s) by 2015/16
Public Interface					
1	24 Hour Borough Police Station Estate	175,012	33	37,540	37,500
2	Smaller Police Stations/ Safer Neighbourhood Estate	106,611	233	15,314	11,000
3	Custody Estate (excl custody buildings as part of other portfolios)	95,974	32	12,351	7,500
Operational Support					
4	Operational Support Estate	167,592	71	23,212	15,000
5	Deployment & Patrol Base Estate	58,994	22	15,744	10,000
6	Public Order Estate	22,606	9	2,414	2,000
7	Training Estate and Regional Learning Centres	2,225**	9	9,522	8,500
8	Headquarters Estate	164,654	8	46,692	40,000
9	Specialist Facilities	90,749	80	13,197	9,500
Sub Total	**Total operational properties at September 2012**	884,416	497	175,986	141,000
Residential					
10	Residential	50,609	205	951	750
Surplus Estate as at September 2012					
Surplus	Properties approved by MPS as not required and vacated by April 2013	37,012	27	7,643	0
Grand Total		**972,037**	**729**	**184,580**	**141,750**

MOPAC/MPS are currently consulting on the estate strategy and no decisions have yet been made. It is therefore not currently possible to provide a detailed breakdown. However as detailed in both the draft estates strategy and the draft police and crime plan the intention is to reduce the running costs of the MOPAC estate to £140m each year by 2015/16 - a 30% reduction on 2012 costs and to reduce the amount of space occupied by 300,000 sq m by 2015/16 from 900,000 sq m to 600,000 sq m.

The closure of a front counter can release staff and warranted officers for other duties but the closure of the facility in isolation will not generate estate savings as the counter occupies only a small proportion of the building it is accommodated in. Estate savings are generated when a building is vacated in its entirety and closed, as this reduces the MPS requirement for building related services, such as facilities management, utilities and building rates. Further capital receipts are generated when that closed building is sold.

Detailed calculations of revenue savings from individual sites have not yet been conducted because the final decisions on the estate must await the outcome of the public consultation. Saving forecasts for the disposal of buildings across the MPS estate will be identified following the conclusion of the MOPAC Police and Crime Plan consultation.

3. *An annual breakdown of savings from the LFEPA estates rationalisation programme, clearly showing savings from the closure of fire stations each year. In addition, annual financial impacts from the changes affecting each of the 23 fire stations set out in paragraph 72 of the LFEPA report 'The Draft Fifth London Safety Plan 2013-16 (FEP 2021) on the LFEPA agenda for 21 January, 2013.*

This information is set out in the table below. However, these figures are indicative and the actual savings are subject to the outcome of the consultation process.

Station	Change	Staff saving £	Other revenue savings £
Belsize	Closure	1,241,916	185,333
Bow	Closure	2,127,436	302,955
Chelsea	2 to 1	885,520	85,450
Chelsea	FRU efficiencies	160,388	-64,656
Chingford	2 to 1	885,520	85,450
Clapham	Closure	2,658,460	467,930
Clerkenwell	Closure	2,470,692	416,826
Downham	Closure	1,241,916	180,310
Hayes	2 to 1	885,520	85,450
Hendon	1 to 2	-885,520	-85,450
Islington	FRU relocated from Clerkenwell	-1,228,776	-183,103
Kingsland	Closure	2,470,692	271,734
Knightsbridge	Closure	1,241,916	219,972
Lambeth	Aerial relocated from Clapham	-531,024	-66,098
Leyton	2 to 1	885,520	85,450
Leytonstone	2 to 1	885,520	85,450
New Cross	Closure	1,241,916	234,756
Orpington	1 to 2	-885,520	-85,450
Peckham	2 to 1	885,520	85,450
Plaistow	IRU relocated from Kingsland	-343,256	-32,852
Silvertown	Closure	1,241,916	201,507
Southwark	Closure	1,241,916	291,642
Stanmore	1 to 2	-885,520	-85,450
Twickenham	1 to 2	-885,520	-85,450
Westminster	Closure	1,241,916	232,697

Whitechapel	2 to 1	885,520	85,450
Woolwich	Closure	1,241,916	205,790
Sub-totals		**20,376,500**	**3,121,093**
Total			**23,497,593**

4. *The budget for cycling for 2013-14, 2014-15 and 2015-16.*

The Mayor's Budget to 2014-15 assumes that £104m in 2013/14, £111m in 2014/15 and £119m in 2015/16 will be spent on cycling. TfL's Business Plan outlines how the Mayor intends to transform cycling in London, subject to continued investment from Government, by investing a total of around £913 million in cycling over the next decade - representing the greatest investment in cycling that the UK has seen.

Much of this additional funding will be spent to significantly improve the safety and performance of the road network for cyclists, including:

- Creating a network of principal cycling routes, with upgraded routes and gaps in the network filled, along with improved signage and road markings;
- Providing a focussed grid of high quality, high volume cycle routes in Central London, which will facilitate a convenient and easy passage in the centre of town and will include a new East-West Cycle Superhighway;
- Creating a significantly expanded network of "quiet routes" on quiet residential streets and greenways;
- Transforming cycle facilities in at least one and hopefully three Outer London town centres;
- Delivering the better junctions programme, but increasingly integrating these investments into a more route-based approach outlined above
- Delivering the Cycle Superhighways programme to a revised, higher standard.

The remainder will go into areas such as:

- expanding the biking boroughs programme to other boroughs across London;
- trialling new road layouts and signalling techniques, both at off-road test facilities and on London's road network, subject to approval from the DFT for a number of innovations that are not currently permitted on the UK road network;
- further investment in cycle hire including intensification and expansion of the scheme;
- meeting a new target for an additional 80,000 cycle parking spaces by 2016.

Response to the draft consultation budget for 2013-14

I note that you have not commented on the specific proposals I have made in my draft consultation budget for 2013-14 but have largely re-iterated and expanded on some of the comments you made in your pre-Budget report. You will recall that I included a response to each of your Committee's pre-Budget report recommendations in my Budget Consultation Document. However, I set out below a response to your letter of 23 January.

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

I have set out a response to this information request above in my reply to your letter of 17 January.

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

Paragraph 4.11 of the Budget Consultation Document committed the Mayor, through MOPAC, to provide projections for the MPS's workforce over the remainder of the Spending Review period using the Operational Policing Measure analysis when the information is finalised. This is re-iterated in the draft consolidated budget.

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

TfL needs a continuous and steady stream of funding to ensure the upgrade of London's transport network can continue to drive both London and the UK's economic growth. Its ambitious and ongoing savings programme means they have already reduced the amount they plan to raise from fares in future from RPI + 2 per cent and RPI + 1 per cent.

As I have set out previously, each 1 per cent increase in fares generates approximately £34m in additional fares revenue each year. In broad terms, this means that if fares are raised by 1 per cent less than planned in one year that reduces revenue by around £340m over the course of the 10 year Business Plan. If fares are raised by less than 1 per cent than planned every year over the course of the 10 year Business Plan period TfL's income is £1.6bn lower.

Inflation-only increases to fares in 2014 and 2015 would therefore mean a significant reduction in revenue of around £600m over the course of the Business Plan. This shortfall could be met in any number of ways, but it would, for example, jeopardise TfL's ability to:

- Regularly replace and maintain trains, buses, roads, bridges, signalling and other equipment so we can operate more regular and reliable services;
- Deliver the huge upgrades London vitally needs to keep pace with demand and prevent a worsening of overcrowding and congestion. These include the Tube upgrade, Crossrail, road schemes and better facilities for cyclists; and
- Continue to protect concessionary travel for young people, veterans and older and disabled Londoners.

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

The broad impact of the scenarios you suggest is implicit in my response to 3 above. Discussion around fares scenarios takes place in the context of the rigorous exercise to arrive at a balanced TfL Business Plan. However, my annual fares decision takes into account changes within the overall envelope of the Plan rather than looking at a wholesale revisiting of the Plan assumptions.

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

I am happy to set out more details of the rationale behind the savings target for the GLA Group and to ensure the targets are challenging yet achievable. However, the savings programme to meet my target needs to be devised by each functional body within the general guidance I will give.

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

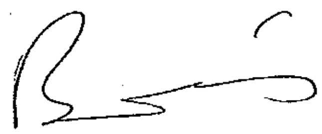
The draft consolidated budget, just as the Budget Consultation Document did, sets out the principles for the distribution for, and a provisional allocation of, retained business rates for 2013-14 and 2014-15. Final decisions on the 2013-14 budget will be over the next month and proposals for 2014-15 will be developed over the next year. Future years' figures from 2015-16 onwards are dependent on the outcome of the impending Spending Review.

I believe the prospect for additional funding for any member of the GLA Group will come from keeping a focus on jobs and growth and meeting the needs of businesses. By strengthening London's economy and increasing its prosperity, this will lead to real growth in business rates and so increase revenues for investment across the GLA Group.

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

Key deliverables were specified for each member of the Group in the Budget Consultation Document and are set out in the draft consolidated budget. Paragraph 2.3 of the Consultation Document sets out that a new look GLA business plan will be published in March 2013 and will include a set of key performance indicators (KPIs) covering all main Mayoral policy and programme activities to be delivered by the GLA.

Yours ever,



Boris Johnson
Mayor of London

Cc: Dale Langford, Senior Committee Officer