John Biggs AM
Chair of the Budget & Performance Committee
City Hall
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Our ref: MGLA101215-1003

Date: 11 JAN 2016

Dear John

Pre-Budget Report

Thank you for your letter of 10 December 2015 and enclosed copy of the Budget and Performance Committee's Pre-Budget Report for 2015. Responses to your recommendations which are available before your Committee's meeting on 12 January are set out below.

Recommendation 1
The Mayor's Final Budget should include a paragraph for each functional body explaining what, if any, financial flexibility there will be for the next Mayor in 2016-17.

My Budget Consultation Document, published on 21 December, set out, on the basis of a whole set of assumptions, the financial position of each member of the GLA Group. This indicated the degree of financial flexibility there will be for the next Mayor in 2016-17. The position for each member of the Group will be refined as I conclude my Budget proposals.

Recommendation 2
The GLA and its functional bodies should come to the January Budget and Performance Committee meetings prepared to give Members an overview of their tentative plans for managing the impact of the Spending Review and funding settlements.

Agreed.

Recommendation 3
As other functional bodies already do, TfL should publish a breakdown of its £1.7 billion of earmarked reserves and report movements in future quarterly reports and budgets.

Agreed.

Recommendation 4
In his budget, the Mayor should identify priority areas that might receive funding should income from council tax and business rates be higher than expected.

Income from council tax and business rates will not be finalised until my final draft consolidated budget is issued in February. That report will set out how any additional income from these sources will be utilised.

Recommendation 5
The Met should, in its revised technology strategy to be published in January 2016, clearly explain where future savings will come from, including sufficient detail to confirm that its Digital Policing programme is on track.

Agreed in principle, but date of revised technology strategy is changing. MOPAC will provide the Committee in January with a revised timeline.

Recommendation 6
In his budget, the Mayor's should:
- *Explicitly set out and explain the areas in which MOPAC expects to make savings in 2016-17, and what impact this will have on policing in London.*
- *Explain the key performance deliverables of the Met and MOPAC for 2016-17, covering the period between the current Police and Crime Plan and the next one.*

Due to the success of lobbying for a better settlement for policing, unpalatable savings to the front line have been avoided. Savings to back and middle office will proceed. The current Police and Crime Plan runs from 2013 to 2016 and will be replaced by the subsequent plan.

Recommendation 7
MOPAC should ensure that future financial reports to the Assembly report performance against planned savings as they did during 2014-15.

Agreed.

Recommendation 8
In its next business plan, TfL should reset its savings counter to zero and focus on achieving short-term annual targets as recommended by PwC.

Agreed.

Recommendation 9
In his budget, the Mayor should set out alternative uses for London Housing Bank funding should appetite for the programme remain low.

The usage of the £200m of funding for the London Housing Bank is governed by a contractual funding agreement with DCLG. This restricts the usage of the funding to the terms outlined in the London Housing Bank funding prospectus and sets out an agreed drawdown schedule.

Although allocations at the moment are significantly below the overall programme budget (by £147m), and some of the allocations are not certain to proceed, there is growing interest in the programme. One of the current successful bidders is seeking additional funding to bring forward further phases of development. There have also been expressions of interest from a number of other organisations, with whom discussions are ongoing. A number of organisations developing new purpose-built homes for market rent are attracted to the programme as a revenue neutral way of increasing affordable housing provision, a faster route to stabilising large rented portfolios and a source of low cost finance.

In order to facilitate this, the GLA intend to seek DCLG's agreement to a minor variation in the contract which will agree a revised profile for funding drawdown. Due to increased interest in the programme we do not believe that it is appropriate to seek DCLG's agreement to a revised purpose to the funding at this stage. This will of course be kept under review.

Recommendation 10
In his budget, the Mayor should identify what funding is available:
- *for regeneration programmes; and*
- *to support apprenticeships.*

Since its establishment in 2011, the Regeneration Team has assumed responsibility for over £450m funding, delivering priorities for the LEP and the Mayor across high streets, places of work, connectivity, further education, infrastructure and enterprise.

With £50m, the Outer London Fund completed this year and supported projects in over 50 places in two rounds and delivered more than 120,000 m2 of public realm, 1000 jobs created or secured and 510 high street frontages improved. The £9m High Street Fund will also have completed the majority of their delivery in this current financial year.

The £70m Mayor's Regeneration Fund will continue delivery up until March 2017, with large scale interventions to underpin economic growth, and specific interventions in Croydon and Haringey. Most of the 2016-17 budget is currently profiled within the 2015-16 allocation, but expected to be carried forward reflecting the review of some of the projects (such as New Addington and Peckham).

Whilst a significant amount of the budget for the £111m Growing Places Fund programme is profiled in 2015-16, circa £21m is forecast to spend this year and delivery is profiled over a longer period. These are private-sector led projects which promote commercial outcomes in line with LEP priorities. Two bidding rounds have taken place, with the third round to be recommended for decision in February 2016, which will allocate up to the remaining £9m.

There are a number of indicative funds for 2016-17 which are still subject to government confirmation including £65m Further Education Capital Fund and £20m for the London Regeneration Fund. The London Regeneration Fund (LRF) is a two-year programme funded under the Growth Deal 2 to support innovative projects supporting high streets and places of work (including workspace for creatives/artists, and markets). Allocations are expected to be announced Jan-Feb 2016.

In light of the national commitment to create three million apprenticeships by 2020, the GLA's work in this area will continue to be a priority. The vast majority of staff resources to deliver apprenticeships in London have been provided to date by the Skills Funding Agency (SFA), supplemented by some GLA staff time and resources from the LEP. Changes are expected in the Apprenticeship levy which will be rolled out in 2017. It may raise over £3bn a year by 2019-20, £2.5bn of which will be spent on apprenticeships in England only. This is the highest investment in real terms ever made for apprenticeships. Equally, the SFA is expected to undergo extensive changes. Against this context, GLA officers are currently looking into the most effective way to encourage opportunities in London and we will work with partners to maximise higher skilled apprenticeships in particular.

Yours ever,

Boris Johnson
Mayor of London

Cc: Sir Edward Lister, Chief of Staff, GLA
Martin Clarke, Executive Director of Resources, GLA
David Gallie, Assistant Director - Group Finance, GLA