LONDONASSEMBLY

Budget and Performance Committee

Pre-Budget Report 2012

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Role of the Budget and Performance Committee

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

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Chairman's foreword

This is a challenging year for the Mayor's budget, as cuts begin to bite. And the state of the economy and consequent budget pressures mean there is no early respite in sight. We have held a number of hearings to inform this report, and we highlight areas of both immediate and medium-term concern.

As a headline, transport revenues remain fairly buoyant but there are large savings to be found for both policing and fire services. Adding to this, part of last year's cuts was effectively deferred, for policing, because of the Olympics, which means bigger savings this year. And the Mayor's new housing powers and restructured regeneration role appear to be experiencing challenges which place at risk their targets. So overall we face a fairly challenging situation, although no less so than many local authorities across our city.

The Mayor is committed to protecting the 'front line', as of course are all Mayors. We agree that efficiencies need relentlessly to be sought and commend progress where this has been achieved. This remains, of course, an area for further progress. We have looked into the detail of his promises, and the proposals to meet them through his emerging budget proposals. In four areas we have particular concerns:

Regarding policing, there remain a number of unanswered questions: in essence, are the savings sustainable or are they at risk of creating an unbalanced service? We will need to closely monitor this area. It is an area where, perhaps, the rhetoric of political commitments is most at risk of clashing with the practical realities of delivering the service. In other words, can capacity realistically be maintained, as is promised, given the level of savings required?

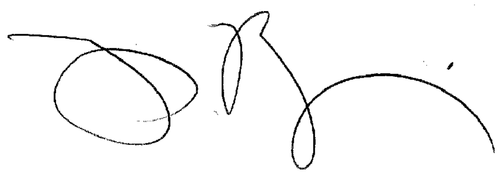
Regarding the fire service, uncertainty over government funding levels, the scale of savings, and the controversy about the potential loss of significant numbers of fire stations and appliances, has meant that LFEPA has not yet been able to submit a balanced budget. There are, however, clear challenges here too and we must defer comment on the ideas to meet them until we hear clearly about them.

Regarding the Mayor's housing powers, the report highlights our concern whether his targets for new homes can be met given the current slow rate of construction, combined with a new approach to commissioning new homes which appears to need to settle down. Delivering affordable housing, for all Londoners, of course, remains a great challenge in our city. Indeed it is a greater challenge - in intensity and scale - than in any other part of the UK.

And regarding transport the position is actually quite rosy, in terms of revenue budgets, income and operating costs. Of course the capital programme needs to be protected and its sources of funding not placed at risk. However, we challenge the Mayor to justify his approach to fares, which are to continue to rise ahead of inflation, as the figures suggest that lesser increases might be achievable without destabilising Transport for London's budget. We ask him to do this through greater transparency, and accountability for the options he has considered, than he has shown to date.

The Government's evolving agenda on business rates, in devolving risk and some funds to local authorities, poses both threats and opportunities at City Hall. It does, as we highlight, present a particular opportunity for the Mayor in granting him a greatly increased flexibility to transfer money between the different functional bodies of the GLA. This might offer an opportunity to manage savings better, and I will close by asking whether this is an opportunity which, underpinned by careful and judicious thought, the Mayor might choose to use.

We make a number of recommendations and we look forward to both the Mayor's response and evidence of his reflection upon them.



John Biggs AM

Chairman of the Budget and Performance Committee

1 Planning for the long term

1.1 The budget pressures currently affecting the GLA Group are likely to last for longer than many had expected. There are obvious constraints on the supply of funding, both from central government and in terms of the Mayor's ability to generate income. But there are also huge, and often invisible, pressures on the demand for services that are forecast to grow throughout the next decade and beyond. Taken together, these present a considerable challenge for the GLA over the coming years.

1.2 The weak outlook for economic growth and the government's desire to reduce the deficit mean that funding from central government is likely to continue falling. Pressure to tackle the deficit led the government to cut departmental spending sharply in the 2010 Spending Review, and this approach is almost certain to be a feature of the next Spending Review period that will extend towards the end of the decade. In his 2012 Budget, the Chancellor pencilled in further real terms cuts to departmental spending in 2015-16 and 2016-17 beyond the current Spending Review period.[1]

1.3 The date of the next Spending Review will be announced in early 2013.[2] This presents, by itself, a risk to the GLA Group, whose Budget Guidance is based on the assumption that the next Spending Review period will start in 2015-16, once the current period ends.[3] It now appears likely that the next Spending Review will take place in autumn 2013, with departmental spending limits reset from 2014-15, one year earlier than the GLA had been expecting. If additional cuts are made to departmental spending in that Spending Review, the GLA Group may receive lower government grant funding in 2014-15 than it is currently anticipating. It is vital that the Mayor is prepared for this Spending Review so that he can make the best case possible for London with government.

1.4 The Mayor must also deal with the challenges presented by reforms to business rates and council tax benefit, both taking effect from April 2013. From next year the GLA Group will be reliant on local authorities and the level of business rates they are able to collect, rather than being able to budget on a pre-determined level of funding in the form of a grant.[4] The GLA will also find it harder to estimate precept income because of the uncertain impact of council tax benefit schemes currently being devised by local authorities.[5] The GLA is currently estimating that changes to council tax benefit could lead to a reduction in precept income of approximately £15 million.[6]

1.5 On the demand side, London's population will continue to grow, with more young and old people, and it will become more diverse. Pressure on essential infrastructure, such as electricity, water and transport, will increase. Demand for services like education, social care and housing will also grow. Recent forecasts indicate that these longer term pressures facing London will be even more severe than had been anticipated in the 2011 London Plan.[7]

1.6 **This combination of prolonged funding cuts and greater demand for essential services is likely to put even more strain on the GLA Group over the coming years. It is therefore vital that the decisions and reforms being made now look beyond the short-term pressures, however acute they may be. Making cuts to budgets now may deal with the immediate funding shortages, but may make the necessary strategic reforms harder and more expensive overall, and limit the GLA's ability to serve London in the longer term.**

1.7 **The Mayor needs to make the case regarding future funding for London's services with government, particularly for the next Spending Review that may take place in autumn 2013.**

Recommendations

1. In his Consultation Budget the Mayor should make it clear how his plans to improve services and cut costs will prepare London beyond the end of his term of office. The Mayor should set out how the funding and savings plans in his Budget for 2013-16 fit with his 2020 Vision plan for London.

2. The Mayor should combine his 2020 Vision plan for London with the work of the London Finance Commission (due to report in April 2013) to produce a document that presents a persuasive case for London. The Mayor should bring this document in draft to the Assembly for debate with the aim of securing the unanimous endorsement of the whole Assembly. He should publish the final report as soon as possible and use it to argue on behalf of London with the government in advance of the next Spending Review.

2 Allocating funding to meet London's needs

The Mayor now has much greater flexibility to allocate funding across the GLA Group

2.1 The way that business rates revenue is distributed to local authorities will change from April 2013, with potentially significant consequences for funding allocations across the GLA Group. Business rates are currently collected by local government, pooled centrally by the government and redistributed to local authorities through formula grant.[8] Under the new system, 50 per cent of business rates will be retained locally, with the other 50 per cent passing to government.[9] The GLA estimates that £960 million of its 2013-14 funding will come through the business rates retention system, of which £816 million will be in place of the TfL transport grant.[10]

2.2 The GLA and London Councils have been in discussion with the Department for Communities and Local Government (DCLG) about baseline funding allocations for 2013-14 and how future business rates growth in the capital will be apportioned between boroughs and the GLA. A 60:40 split between local authorities and the GLA has been agreed, meaning that the GLA will receive 20 per cent of any future increase in business rates income.[11]

2.3 The process for allocating business rates income across the GLA Group is still being worked through. The Mayor's Chief of Staff told us in July that there had been an expectation from the Department for Transport that the notional transport portion, for example, would remain the transport portion, and that there would have to be a strong justification to move funding between the functional bodies. This expectation is clearly set out in a letter from the Department to the Mayor.[12]

2.4 Legally, however, this funding is not ringfenced and could, in theory, be allocated as the Mayor wished.[13] This gives the Mayor huge new power over the allocation of funding across the GLA Group, and presents him with some very tough decisions. For example, the Mayor might decide to use it to close the budget gaps faced by the London Fire and Emergency Planning Authority (LFEPA) over the next two years (currently £16 million in 2013-14 and £53 million in 2014-15).[14] He could also use it to fund GLA programmes in areas such as skills and employment, young people, business support and the environment. The most obvious source of any transfer of funds would be the £816 million notionally allocated to Transport for London (TfL), although any reallocation of funds obviously would have consequences for the functional body losing those funds. The Mayor's Chief of Staff told us that the Mayor was unlikely to make use of these new powers when setting his 2013-14 Budget, but it was an option for future years.[15]

Financial flexibility must be used carefully

2.5 We support this new system because it will allow London to benefit from future growth in business rates. It also fits with the wider strategic aim, which we share with the Mayor, of securing greater control over taxation in London. This freedom presents the Mayor with a huge opportunity, and it gives the Assembly new responsibilities as it scrutinises the Mayor's spending. In previous years the GLA would have had to take out additional borrowing, or swap money from capital to revenue budgets to generate additional revenue funding. However, it also places an even greater responsibility on him to make informed and evidence-based decisions that can be justified to Londoners. It would fall to him to explain, for example, why fares from TfL passengers should be used to support spending by the Fire Brigade, or on an environmental programme.

2.6 This new financial flexibility and opportunity to increase revenue spending on chosen programmes must be justified as part of a longer-term plan. Furthermore, it should be recognised that budget cuts can be a powerful motivation for organisations to reform their operations. The Mayor would need to ensure that the reforms that are needed to improve services and reduce costs in each organisation are still carried out, even where the immediate budget pressure has been resolved.

2.7 **From 1 April 2013 the Mayor will be able to transfer larger sums of money between bodies in the GLA Group as a result of the government's reform of business rates. This could transform the way the GLA Group is able to provide many of London's essential services, yet it is not clear how it will work in practice. The Mayor should use the Consultation Budget to explain how he plans to use this new financial flexibility over the rest of his Mayoral term. He should also explain why he has decided not to make use of the flexibility in 2013-14.**

2.8 **It is not clear how this new flexibility, and any additional financial devolution in the future, will be used in practice. Our role is to keep a careful watch on how the Mayor uses this new freedom, and expect him to demonstrate complete transparency in explaining how money is allocated and moved around within the GLA Group.**

Recommendation

3. In this year's Consultation Budget, and in future years, the Mayor should clearly set out how and why he has moved funding between the functional bodies under the business rates retention system, or why he has chosen not to do so. He should also make it clear how these decisions fit in with his longer-term plan for London.

3 Controlling transport fares

Above-inflation fare increases may be unnecessary

3.1 In recent years Londoners have often been asked to pay increases to their transport fares that have outstripped inflation. In part this has been due to the policy of successive governments to shift the balance of transport funding from taxpayers to farepayers. But at a time when wages for the vast majority of workers in London are barely rising, transport costs are becoming an increasingly large proportion of their income. The Mayor has a responsibility to ensure that fare rises are minimised, and has the ability to relieve financial pressures on Londoners through his fares decisions.

3.2 Before the election the Mayor said that fares would "go down in an honest and sustainable way".[16] He has not clarified this statement, and has instead approved an above-inflation increase in the first year of his Mayoral term, rising by an average of 4.2 per cent from 2 January 2013. This was the maximum increase possible following the Prime Minister's announcement in October that capped fare increases in 2013 and 2014 to one per cent above inflation.[17] TfL's current Business Plan (2011-12 to 2014-15) had assumed that fares would be increased by two per cent above inflation in those years, so the difference in these two years will be funded by the Department for Transport (DfT).[18] DfT will provide TfL with £96 million of funding to cover this, which is broadly in line with TfL's statement to us that each percentage point rise in fares generated approximately £34 million of additional revenue.[19] TfL has recently published a new draft Business Plan based on annual increases of one per cent above inflation.[20]

3.3 In previous years the Mayor has accepted TfL's proposed fare increases when making his final fares decision, yet we have found that TfL's recent figures have been based on overly pessimistic passenger forecasts, meaning that TfL has generated more fares income than it had expected. In 2010-11 it collected £178 million more than it had budgeted (equal to 6 per cent of budgeted fare income), and in 2011-12 it collected £73 million more (2 per cent).[21] TfL is currently forecasting fares income £36 million above budget for 2012-13.[22]

3.4 It is clear that £34 million (the additional revenue generated each year by a fares rise one percent above inflation) is a relatively small figure for TfL, whose overall budget for 2012-13 is in excess of £8 billion.[23] Furthermore, in recent years TfL has been able to generate unanticipated savings far in excess of what would be raised by an additional percentage point on fares. In 2011-12, for example, TfL exceeded its savings target by £216 million.[24] TfL has also told us that it had found £100 million of additional recurring savings in its 2012 savings exercise.[25] TfL has much smaller savings targets over the next two years (£24 million in 2013-14 and £89 million in 2014-15, making up 0.4 per cent and 1.4 per cent of TfL's budgeted total operating expenditure in those years).[26] In comparison, LFEPA has been asked to save £30 million in 2013-14 and £65 million in 2014-15, making up 8 per cent and 16 per cent of its budget in those years.[27] Based on recent experience TfL should be able to achieve and exceed its targets relatively easily.

3.5 At the moment, there is no way of evaluating the forecasts and calculations of TfL that underpin the Mayor's fares decision, meaning it is impossible for the Assembly to carry out its scrutiny role effectively. TfL has not helped the Committee understand the financial and service implications of the various options for the fares decision. In September we asked TfL to explain the impact of three possible options: a fares freeze; an increase equal to RPI; and an increase of RPI +1 per cent.[28] TfL declined to provide the information we asked for at an appropriate level of detail.[29]

3.6 **The evidence we have heard suggests that there may be options for the Mayor to limit fares rises during the rest of his term. TfL's future savings targets are very small compared to the rest of the GLA Group and it has recently found at least an additional £100 million a year in unanticipated recurring savings. In addition, it has underestimated passenger demand in the last two years, meaning that it has received over £250 million of additional, unanticipated, fare revenue over this period. These unanticipated resources have allowed TfL to reduce borrowing on previous capital investment earlier than would otherwise have been possible.**

3.7 **Limiting future fares increases would allow the Mayor to ease the financial pressure on Londoners during tough economic times. TfL should set out the implications of living within inflation-only fares rises for the remainder of the Mayoral term. This would allow the Mayor to assess the extent to which spending on operations and investment would be affected. The underlying information that supports TfL's business planning, such as passenger forecasts and savings**

projections, should be publicly available so the Assembly and others can scrutinise its spending proposals properly.

Recommendations

4. The Mayor's Consultation Budget should clearly set out the implications for TfL's Business Plan of inflation-only increases to fares in 2014 and 2015. It should explain what investment projects would be affected, and the impact this would have on services and passengers. This will allow the Assembly, and Londoners as a whole, to properly assess the options for additional investment before the Budget is approved by the Assembly, and will make the Mayor's annual fares decisions more transparent.

5. In future, TfL's advice to the Mayor on his annual fares decision should be made publicly available. This would improve the transparency and accountability of TfL, and allow the Assembly to give proper consideration to the Mayor's fares decision.

4 Reforming the emergency services

4.1 The Police and Fire Brigade are facing sharp budget reductions over the next few years that will require a significant degree of reform to achieve. It will not be possible to make the levels of savings required by salami slicing. However, reforms carried out in the next year are likely to have consequences for many years to come; short-term budget pressures should not be allowed to put long-term safety at risk.

Reforms to the Metropolitan Police Service are overdue but it needs freedom over operational choices

4.2 The Metropolitan Police Service (MPS) is facing an extremely challenging situation over the rest of the Mayoral term. Its total expenditure will fall by 9 per cent in the next year, from £3,583 million in 2012-13 to £3,269 million in 2013-14.[30] That level of savings would be hard to achieve at any time, but the MPS has also been tasked with cutting seven key crime types by 20 per cent and increasing public confidence in policing by 20 per cent by April 2016.[31] Furthermore, because staff costs make up approximately 80 per cent of the MPS budget, it will be impossible for the MPS to achieve such significant savings without changing the size and structure of the workforce.[32]

4.3 The need to make significant cuts to the MPS budget has been clear for several years, yet planning for them has been left very late. We are particularly concerned by the assessment of Her Majesty's Inspectorate of Constabulary (HMIC), which told us in October that the MPS still did not have strategic plans to take it to the end of the current Spending Review period (2015).[33] HMIC also told us of its concern that the MPS was not able to provide workforce projections to the end of the Spending Review period. Earlier this year HMIC had concluded that the MPS was one of three forces in England that "may not be able to provide a sufficiently efficient or effective service for the public in the future".[34] MOPAC has included some high-level analysis of workforce projections in its recent budget submission, showing the breakdown between officers, staff and Police Community Support Officers (PCSOs).[35] We have been arguing for this kind of information for several years, so its inclusion is welcome.

4.4 There appear to be three main reasons why the MPS has not carried out the reforms needed:

1. The need to focus on policing the 2012 Games.

   In November 2010 the then Deputy Mayor for Policing told us that the MPS would carry out detailed savings planning in the run-up to the 2012 Games, and be ready to begin the major reforms immediately afterwards.[36] This did not happen, and we were told in October 2012, for the first time, that "we were always a year behind given the Olympics".[37]

2. High levels of turnover among senior staff.

   The MPS senior management team has almost completely changed in the last 18 months, with the appointment of a new Commissioner, Deputy Commissioner and three Assistant Commissioners.[38] The new Deputy Commissioner (in charge of the savings programme) told us that long-term reform planning had to begin afresh when he joined in January 2012. He explained that if detailed savings plans had been developed by the previous management team, he had not seen them.[39] On top of this, a new Deputy Mayor for Policing and Crime was appointed in May 2012 (Stephen Greenhalgh), followed by a three month period of uncertainty while the most senior officer at MOPAC was replaced.[40] These changes have contributed to the delays surrounding the production of the new Police and Crime Plan, which has now been put back until the New Year.[41]

3. Over-reliance on police officer numbers as an indicator of capability.

   For several years the focus of debate has been the headline figure of police officer numbers. While we acknowledge that officer numbers is a useful indicator of the MPS's resilience capacity to deal with major events, it is an unsophisticated measure of the overall capability of the MPS. In our June 2011 report *Policing in London* we argued that a more detailed analysis of the workforce (using the MPS's Operational Policing Measure) is needed to enable a more informed debate over how the MPS uses its reducing budget over the coming years.[42]

4.5 In that report we made a number of recommendations regarding the reforms needed at the MPS:

- greater use of civilian staff in support roles would be cheaper, and release warranted officers for front-line duties;
- efficiencies in back office functions, particularly where specialist units are concerned, are possible; and

- the MPS could learn from other forces about how to make better use of technology to free up officer time.

4.6 In view of the level of savings required, it will not be possible to rely on small-scale, short-term measures because these are likely to increase the risk that performance suffers. Evidence-based, fundamental reform will be needed to make the savings the MPS needs, and provide Londoners with the policing they expect.

4.7 Local priorities are important, but they must be balanced with the wider need to reform the MPS. The fundamental reform needed will, by its very nature, require movement away from the status quo and a willingness to look at new ways of doing things. Now that the MPS has been given its spending and performance targets for the next three years, it should be allowed more room to exercise its professional judgment as how best to adapt and reform, and how it can make the most of its available budget.

4.8 Placing restrictions on officer numbers, borough command structures or the estate limit the MPS's ability to become more efficient, and will simply force the MPS to make deeper cuts elsewhere. As an example, MOPAC's recent budget submission document reveals plans to make significant cuts to the number of civilian staff working at the MPS, raising the risk of officers ultimately being required to fill back-office roles.[43] We have previously reported that the MPS should, where possible, look to make *greater* use of civilian staff in back-office roles because they are cheaper to employ than warranted officers, so it is concerning that the opposite could be happening.[44]

4.9 **The MPS has been too slow to make the fundamental reforms that have been clearly needed for several years. It must now make rapid progress in planning and implementing those reforms in order to cut costs at the same time as improving performance.**

4.10 **In view of the size of the challenge facing the MPS, it must have the freedom to explore all the available options for reform. It becomes even harder for the MPS to meet its spending and performance targets every time a savings proposal is taken off the table.**

4.11 **In relation to officer numbers and the wider workforce, the debate must move on to a more sophisticated level, and we**

repeat our recommendation that plans for reducing costs need to be judged against changes in the MPS's policing capacity overall. We consider that it should be possible for the MPS to explain the workforce implications of its major reform proposals in more detail than just a split between officers, staff and PCSOs.

Recommendation

6. Alongside the Consultation Budget the Mayor should provide projections for the MPS workforce over the remainder of the Spending Review period using Operational Policing Measure analysis. This would demonstrate that plans are progressing and allow for independent assessments of the likely impact of reform on police capacity, including whether warranted officers and civilian staff are being deployed effectively. The MPS should also provide its own assessment of the impact of the changes on police capacity.

Reforms to the Fire Brigade should not be driven by short-term budget pressures

4.12 Londoners – now and in the future – are right to expect that the Fire Brigade is able to protect them. The London Fire and Emergency Planning Authority (LFEPA) is currently drafting a new London Safety Plan (2013 to 2016) that will set out how it intends to do just that. A phase of public consultation will begin in January 2013, with the intention of LFEPA approving the plan in June.[45]

4.13 LFEPA is having to prepare this plan at a time of severe budget constraints; it has been asked to find savings of £30 million in 2013-14 and £65 million in 2014-15.[46] LFEPA has so far found recurring savings of £14 million from 2013-14, but that still leaves a budget gap of £16 million in 2013-14 and £53 million in 2014-15. These gaps represent 4 per cent and 15 per cent of LFEPA's net revenue expenditure for those two years.[47]

4.14 As is the case with the MPS, LFEPA must consider all the options available to it to make the savings needed, but it is essential that

Londoners do not experience any loss of service as a result. We recognise that the Fire Brigade attends fewer incidents now than five years ago, and that, on a London-wide basis, its appliances reach incidents within target times.[48] However, we also recognise the concerns that Londoners have about the impact of budget cuts on the Fire Brigade in their area. Decisions must therefore be made on the most robust evidence available and also take local views and concerns into account.

4.15 The Mayor must look beyond the immediate funding shortage and ensure that LFEPA is not forced into making decisions that have long-term negative consequences. In particular, the decision to close fire stations is one that cannot be easily reversed and should only be taken if the Fire Brigade is able to maintain the level of protection it currently offers. As London's population grows and gets older it may become increasingly difficult to maintain service levels, and this risk might be compounded by reducing the number of fire stations and appliances.[49]

4.16 **LFEPA is facing budget cuts that, compared to other parts of the GLA Group, are disproportionally large. It may well be necessary to reform the Fire Brigade in London to some extent, but it is obvious to us that long-term reforms should not be driven by short-term budget pressures. LFEPA is being asked to make deep cuts to its budget before stakeholders, including the Assembly, have had the opportunity to comment on the draft London Safety Plan. One option for the Mayor in his Consultation Budget would be to use the new financial flexibility afforded by the reform to business rates to reduce the level of savings needed by LFEPA in 2013-14.**

4.17 **We intend to examine in detail the long-term financial plans of LFEPA, including its savings programmes, next year following the publication of the London Safety Plan.**

5 Securing the best Olympic legacy

It will be difficult to achieve all of London's Olympic legacy objectives

5.1 The London Legacy Development Corporation (LLDC) took over responsibility for the legacy of the Olympic Park and surrounding area in April 2012.[50] It was set up by the Mayor to "promote and deliver physical, social, economic and environmental regeneration in the Olympic Park and surrounding area".[51] It is currently transforming the Olympic Park, ready for re-opening from summer 2013.

5.2 The LLDC has three ambitious strategic aims:

- to deliver social, economic and environmental benefits and convergence for east London;
- to deliver financial returns to the public purse over the long term; and
- to optimise sustainability and success of the Park and venues.[52]

The most challenging of these aims is to ensure that within 20 years the communities which hosted the 2012 Games will have the same social and economic chances as their neighbours across London - the concept of convergence. This will require the involvement of a wide range of public and private stakeholders, including the LLDC, and a long-term commitment.

5.3 There is a risk that the objectives around regeneration and convergence might be eclipsed by the need to generate financial returns, particularly in the form of capital receipts from housing development. There may be pressure, for example, to reduce the proportion of affordable homes in the Park, or to scale back the ambitions for environmentally sustainable housing, in order to maximise sale receipts.

5.4 The LLDC is well aware of this risk, and there does appear to be a general willingness to pursue the wider regeneration objectives by the LLDC, the Mayor and the government. That commitment, however, may not be maintained over the programme's timescale which is in excess of 20 years.[53] As Chair of the LLDC, the Mayor is ultimately responsible for ensuring that this commitment *is* maintained, at least over the rest of his term of office.

There is a risk that council tax payers will have to pay more

5.5 In his Olympic Manifesto the Mayor noted that he would "ensure that the Olympic legacy does not cost London taxpayers a penny more in council tax".[54] We have concerns, however, that he may not be able to stick to this pledge.

5.6 The LLDC has recently appointed West Ham United Football Club as the preferred bidder for the tenancy of the Olympic Stadium. A final agreement is still some way off, however, and there are still financial risks for the LLDC to manage.[55] We understand that the cost of converting the Stadium for Premier League football is estimated at £160 - £200 million. There is £78 million of public funding already earmarked for that conversion work, leaving more than half of the costs to be found either from West Ham or elsewhere.[56]

5.7 The Assembly has consistently argued against the concept of a permanent athletics track in the Stadium, and this has proved to be the main barrier to a successful and speedy reopening.[57] It is possible that the Stadium may not reopen before the next Games begin in August 2016 in Rio de Janeiro.[58] We hope that negotiations can be swiftly concluded to allow the Stadium to reopen as soon as possible.

5.8 The importance of the Stadium to the success of the Park cannot be underestimated. The LLDC has forecast that up to 2 million people could visit the Stadium each year out of its overall forecast of 9.3 million visitors to the Park by 2016. This would generate income and jobs not only for the Stadium but the whole Park and wider community. That forecast, however, was based on a Premier League football club being the Stadium's main tenant.[59] Relegation for West Ham would result in fewer visitors to the Park, with implications for the success of the Park and the legacy programme as a whole. It would also have financial consequences for LLDC and, by extension, the whole GLA Group.

5.9 The GLA is now exposed to financial risks arising from the LLDC's commitment to provide, among other things, transport improvements, new schools, housing, employment and training as part of a section 106 agreement. This commitment is worth some £238 million, spread over a number of years into the future, and the LLDC told us that it hopes to pass on "a large proportion" of this to developers.[60] A recent LLDC Board paper stated that "these commitments represent a high financial burden on the project". It also noted that "the GLA has undertaken to work with LLDC on an appropriate funding package to support LLDC to implement the scheme".[61] We have yet to receive further detail on these arrangements from the LLDC.[62]

5.10 **London's Olympic legacy objectives are ambitious and they could bring about transformational improvements to the East End. The Mayor must ensure, however, that short-term financial returns are not pursued at the expense of the longer-term convergence and regeneration goals.**

5.11 **The London Legacy Development Corporation and the GLA are exposed to significant financial risks that might increase pressure on the Mayor to provide additional financial support. We cannot support any further burden being placed on council tax payers, particularly if they are asked to fund stadium improvements for a wealthy Premier League football club.**

Recommendation

7. The Consultation Budget should respond to our concerns about the risk that Londoners will face further financial burdens from the Olympic Park. In particular it should set out the financial implications for the GLA Group relating to the risk of visitor numbers not being met, the section 106 agreement and the costs associated with the delay in converting and reopening the Olympic Stadium.

6 Saving money through shared services

6.1 The Mayor has made little progress in implementing his plans to save money by sharing back-office operations and collaborative procurement among the functional bodies, an approach more commonly known as *shared services*. We have repeatedly expressed our frustration at the lack of progress and consistently questioned the realism of the Mayor's projections for shared service savings.[63] It is disappointing that our concerns have still not been addressed.

Shared service savings targets are still unclear

6.2 The Mayor's Budget Guidance for 2013-14 restated his manifesto commitment to "establish a collaborative procurement function for the GLA Group which together with other shared service initiatives will result in cumulative savings worth £600 million by the end of the next Mayoral term."[64] This would have equated to £150 million of new recurring savings each year for four years. This latest target replaced earlier, unachieved, targets from previous budgets and statements from the Mayor's staff to this Committee.[65]

6.3 It now appears that this £600 million figure bears no relation to the shared services agenda. The Budget Guidance document asks for less than £5 million of shared service savings in 2013-14, with an additional £59 million in 2014-15 (£64 million in total in 2014-15) and none specified in 2015-16.[66] When we asked for clarification of the £600 million figure, we were told that, as well as including savings from collaborative procurement and shared services, it also included "other general savings", rendering it largely meaningless.[67]

6.4 It is important, however, that the definition of shared services is accurate so that people can monitor progress against the Mayor's targets. Savings from cooperation with organisations *outside* the GLA Group should not be classed as a shared service saving, and neither should savings from reorganisations *within* individual organisations of the GLA Group, as was the case in the Mayor's Consultation Budget for 2012-13.[68]

Barriers to progress have not been overcome

6.5 One reason given in the past for slow progress has been the need for GLA Group members to undergo internal reorganisations before sharing services with others in the Group. [69] TfL's Project Horizon, completed in early 2012, restructured and shrank TfL's back office and support functions. The MPS will be undergoing a significant reform programme over the next few years. It is unlikely that any part of the GLA Group will be free from major reform in the coming years, and it is unrealistic to wait for this to happen before engaging seriously in sharing services.

6.6 Another reason given for slow progress has been a cultural reluctance among senior management to share services across the GLA Group, and a lack of leadership to overcome this. Overall responsibility for shared services has now passed to the Mayor's Chief of Staff, Sir Edward Lister. He told us that the Mayor had spelled out the responsibility of Chairs of the functional bodies to engage in sharing services in their appointment letters, and that the Mayor regularly checked progress with them. We welcome the decision to relocate MOPAC staff from Westminster into City Hall as a step forward in this direction. This will allow MOPAC to share services such as Human Resources and IT with the GLA. However, there still appears to be no real pressure on the functional bodies to cooperate with each other, and the deep-seated cultural issues have not yet been resolved.

Decisions on sharing services must be made holistically

6.7 The concept of shared services is straightforward enough, but, as we have seen, implementing it is much harder. Attempts in central government to save money through shared services have often failed, and expectations are frequently too high.[70] And, while sharing services within the GLA Group is desirable, it should not preclude the possibility of sharing services with outside bodies. Indeed, in some cases it may make more sense, generate greater savings and have a more beneficial effect on service levels, to look outside the GLA Group for opportunities to share services.[71] Organisations like the Ambulance Service, emergency services outside London, Network Rail, train operating companies and local authorities might be particularly suitable, but all options should be explored. However, decisions on whether to share services internally within the GLA Group, or to look externally, should be based on the effect on the GLA Group as a whole, rather than on an individual basis. This is where the Mayor and his advisors need to take a more proactive role to ensure decisions are being made in the interest of the GLA as a whole, rather than individual functional bodies.

6.8 **The time has come for the Mayor to finally set realistic targets for shared service savings in the GLA Group. These should set out the savings to be achieved by sharing services between organisations within the GLA Group.**

6.9 **Decisions on how shared services should be organised must be done on a holistic basis across the group, and the Mayor must provide the strong leadership needed to force functional bodies to participate where appropriate.**

Recommendation

8. The Consultation Budget should include new, annual, targets specifically for shared services within the GLA Group. This year it should show annual targets for collaborative procurement, audit, and the single property unit. The Mayor should also provide the Committee with an update on progress twice a year.

7 Getting things done for London

7.1 The Mayor's manifesto commitments set out his priorities and objectives for his second term of office, but we have already noted our concerns at the delays to police reform (chapter 4) and the reopening of the Olympic Stadium (chapter 5). We are also concerned that the Mayor may not be able to fulfil his housing pledges. As we have flagged up in chapter 1, London is growing and changing rapidly and the Mayor cannot afford to allow programmes to slip. Even if the investment is made at a later date, any delays mean that the benefits will not be felt as quickly as might otherwise be the case. Allowing the construction of just one new affordable home to slip by a year may not be a big issue in City Hall, but for that family waiting for decent accommodation it certainly is.

Housing programmes are not progressing quickly enough

7.2 We are concerned that the Mayor will not reach his target to build 55,000 affordable homes by 2015.[72] Although more than 16,000 were built in 2011-12, the pace of construction has dramatically slowed, with only 425 homes started and just over 1,500 completed in the first half of this year.[73] Approximately 500 homes that were due to be built in 2012-13 have slipped into later years.[74]

7.3 Almost 20,000 of the 55,000 houses are to be completed in 2014-15. This means that almost 40 per cent of the affordable homes to be built in the four year period will not be finished until the final year. In view of the length of time it takes to build a new home it is also hard to believe that, with only 425 housing starts this year, nearly 20,000 homes can be completed in 2014-15. It is also obvious that the timing of this work does not maximise the benefits for Londoners. Although the Mayor's options may be limited by the structure of the funding package agreed with the government, waiting until 2014-15 to build 40 per cent of the affordable homes promised will leave many families waiting for several years to move into their new homes. It also restricts the ability of London's construction sector to act as an engine for growth and jobs in London at a time when this is badly needed. [75]

7.4 This profile is even more pronounced in the Mayor's ambition to improve 45,000 council-owned homes between 2011-12 and 2014-15.[76] Of these, over half will be improved in the final year. Again, these improvements could be so much more beneficial if the work was carried out sooner.

7.5 In both these cases – building new affordable homes and making improvements to council-owned homes – profiling the work so that such a large proportion falls in the final year increases the risk that the Mayor will fail to achieve these targets. Any slippage in these programmes may mean that some funding may be lost and, as we have already noted, an early Spending Review may jeopardise funding for 2014-15.

7.6 We are also concerned by the slow pace at which carbon dioxide emissions are falling in London. On current projections the Mayor will not reach his target to cut emissions by 20 per cent in 2015 compared to 1990 levels.[77] A significant element of the Mayor's strategy to cut emissions depends on the installation of insulation and other energy-efficiency measures in London's homes and public sector buildings – a process known as retrofitting – yet funding for this work is set to fall over the next two years.[78] We expect the Mayor to use his Budget to explain how he will accelerate the reduction in carbon dioxide emissions despite this cut in funding.

Greater transparency would increase public confidence and help the Mayor demonstrate that progress is being made

7.7 It is important that the Mayor is able to demonstrate that his Budget will be used to achieve his key objectives and will provide good value for money. The Mayor's manifesto commitments give some indication of his key priorities, but do not always give specific targets that would allow performance to be regularly measured against. As a Committee we have made some progress in obtaining greater detail behind the headline commitments. For example, we now have annual targets for the construction of affordable homes and improvements to council-owned homes.[79] However, in other areas, such as job creation, apprenticeships and home retrofitting, we do not have the level of detail that we, the Assembly and London as a whole, need to judge the Mayor's performance. The Mayor's Budget is the obvious place to clearly set out the detailed targets that the Mayor aims to achieve with the funding available in 2013-14. Further information should then be provided in the GLA's Business Plan, due to be published in March 2013.

7.8 The Committee's access to information is patchy, but there are signs that this is improving. For example we now receive data on a quarterly basis on police workforce from the MPS, and data on affordable housing by borough from the GLA. In other areas, however, we do not have the information we need to be able to carry out our scrutiny function effectively. One obvious example of this is around the Mayor's decision on TfL fares. As we mentioned in chapter 3, in September TfL declined to provide us with information on the implications of three possible fares decisions. The Assembly therefore has no way of challenging the fares decision or even reaching an understanding of how it was made. This is unacceptable and prevents the Assembly from carrying out its scrutiny function on behalf of Londoners. We hope that the Mayor shows the leadership needed to bring about real transparency in all parts of the GLA Group.

7.9 **Improvements to services and infrastructure should be made as quickly as possible so that Londoners can enjoy the benefits. The back-loaded profile of work to build and improve housing fails to maximise the benefits that it will generate, and means that many Londoners will have to wait for longer than is desirable. It also increases the risk that funding from government might be lost if programmes slip and the Spending Review takes place earlier than when all the GLA's plans are based on. The Mayor still has an excellent opportunity to stimulate economic growth and employment by accelerating the construction of new affordable homes, improvements to existing council houses and retrofitting homes and buildings with energy-efficiency measures.**

7.10 **The Mayor must make the GLA and its functional bodies more transparent, with a presumption that information should be made publicly available when requested. Exceptions to this should be rare, and made in line with group-wide policy agreed by the Mayor. The Assembly's Oversight Committee is currently carrying out a review into transparency at the GLA; the Mayor should take note of the review and act on its recommendations when it reports in spring 2013.**

7.11 **It is vital that the Consultation Budget contains enough information for the Assembly to scrutinise it effectively. An important element of this is the inclusion of clear annual targets for each of the Mayor's objectives so that Assembly Members can properly understand the Budget they are being asked to approve.**

Recommendations

9. The Mayor should provide annual targets for his key objectives in the Consultation Budget, allowing the Assembly to properly consider whether the Budget being proposed is appropriate. Where this is not possible for this year's Budget the Mayor should ensure that the GLA Business Plan, due in March 2013, includes this information.

10. We are concerned that progress this year to build new affordable homes and improve existing council houses has been slow, and the profile of work is heavily backloaded towards the end of the Mayoral term. The Mayor needs to focus on this area and ensure that rapid progress is now made. In the first instance we would like to see a clear explanation of how the GLA will build 31,000 affordable houses and improve 35,000 council homes over the next two years given the poor performance so far this year. We will also expect to see detailed evidence of progress in the quarterly updates now to be provided.

Appendix 1 Recommendations

1. In his Consultation Budget the Mayor should make it clear how his plans to improve services and cut costs will prepare London beyond the end of his term of office. The Mayor should set out how the funding and savings plans in his Budget for 2013-16 fit with his 2020 Vision plan for London.

2. The Mayor should combine his 2020 Vision plan for London with the work of the London Finance Commission (due to report in April 2013) to produce a document that presents a persuasive case for London. The Mayor should bring this document in draft to the Assembly for debate with the aim of securing the unanimous endorsement of the whole Assembly. He should publish the final report as soon as possible and use it to argue on behalf of London with the government in advance of the next Spending Review.

3. In this year's Consultation Budget, and in future years, the Mayor should clearly set out how and why he has moved funding between the functional bodies under the business rates retention system, or why he has chosen not to do so. He should also make it clear how these decisions fit in with his longer-term plan for London.

4. The Mayor's Consultation Budget should clearly set out the implications for TfL's Business Plan of inflation-only increases to fares in 2014 and 2015. It should explain what investment projects would be affected, and the impact this would have on services and passengers. This will allow the Assembly, and Londoners as a whole, to properly assess the options for additional investment before the Budget is approved by the Assembly, and will make the Mayor's annual fares decisions more transparent.

5. In future, TfL's advice to the Mayor on his annual fares decision should be made publicly available. This would improve the transparency and accountability of TfL, and allow the Assembly to give proper consideration to the Mayor's fares decision.

6. Alongside the Consultation Budget the Mayor should provide projections for the MPS workforce over the remainder of the

Spending Review period using Operational Policing Measure analysis. This would demonstrate that plans are progressing and allow for independent assessments of the likely impact of reform on police capacity, including whether warranted officers and civilian staff are being deployed effectively. The MPS should also provide its own assessment of the impact of the changes on police capacity.

7. The Consultation Budget should respond to our concerns about the risk that Londoners will face further financial burdens from the Olympic Park. In particular it should set out the financial implications for the GLA Group relating to the risk of visitor numbers not being met, the section 106 agreement and the costs associated with the delay in converting and reopening the Olympic Stadium.

8. The Consultation Budget should include new, annual, targets specifically for shared services within the GLA Group. This year it should show annual targets for collaborative procurement, audit, and the single property unit. The Mayor should also provide the Committee with an update on progress twice a year.

9. The Mayor should provide annual targets for his key objectives in the Consultation Budget, allowing the Assembly to properly consider whether the Budget being proposed is appropriate. Where this is not possible for this year's Budget the Mayor should ensure that the GLA Business Plan, due in March 2013, includes this information.

10. We are concerned that progress this year to build new affordable homes and improve existing council houses has been slow, and the profile of work is heavily backloaded towards the end of the Mayoral term. The Mayor needs to focus on this area and ensure that rapid progress is now made. In the first instance we would like to see a clear explanation of how the GLA will build 31,000 affordable houses and improve 35,000 council homes over the next two years given the poor performance so far this year. We will also expect to see detailed evidence of progress in the quarterly updates now to be provided.

Appendix 2 GLA Group budgets and funding

GLA

A.1 The core GLA draft budget for 2013-14 includes gross capital funding of £697 million (excluding Crossrail). Of this, £249 million will support the construction of affordable homes, with a further £195 million to improve the conditions of council homes. £148 million is budgeted for regeneration programmes, including £23 million for the Outer London Fund and £11 million is for the Mayor's Regeneration Fund.

A.2 Current budget plans assume a reduction in GLA revenue funding of £22 million (12 per cent) in 2013-14. However, where the GLA contributed £3 million to its reserves in 2012-13, plans are based on the use of £44 million of reserves in 2013-14 and hence total revenue expenditure in 2013-14 is only set to fall by £13 million (three per cent) in 2013-14.

A.3 The introduction of business rate retention from April 2013 will mean that not only will the GLA's sources of funding change but also the certainty at which funding levels can be forecast. The GLA is forecasting receipts of £29 million of funding from the business rate retention for the first time, but £13 million (27 per cent) less of general government grant funding and £33 million (27 per cent) less of precept funding. The GLA's budget requirement is therefore forecast to fall by £18 million (10 per cent) and with a greater proportion of this funding now being collected through local boroughs funding levels can be predicted with less certainty.

MOPAC

A.4 MOPAC sets the budget for policing in London. Current forecasts suggest that London will have a gross revenue budget in 2013-14 for policing of approximately £3.3 billion. £1,929 million (59 per cent) is forecast to come from government's general and formula grants; £555 million (17 per cent) from the council tax precept; £484 million (15 per cent) from specific grants; £296 million (9 per cent) from other income; and £4 million (0.1 per cent) from the use of reserves.

A.5 MOPAC's forecast revenue funding for 2013-14 is £314 million (9 per cent) less than it was in 2012-13. £107 million of this reduction relates to one-off funding provided by the government specifically for the 2012 Olympic and Paralympic Games, but after removing this, revenue funding is forecast to fall by £207 million (6 per cent) in 2013-14.

LFEPA

A.6 LFEPA sets and monitors the annual Fire Brigade budget, which is forecast to be £387 million in 2013-14. In terms of how this is funded: £147 million (38 per cent) is forecast to come from the general government grant; £126 million (32 per cent) from the council tax precept; and £115 million (30 per cent) from business rate retention.

A.7 There is less certainty over government grant funding for LFEPA than other functional bodies. Funding for English fire and rescue authorities is to reduce by 25 per cent in real terms over the four years to 2014-15, back-loaded to the final two years of the period. It is not yet known how these overall reductions will be shared between fire authorities as there has only been a grant settlement for 2011-12 and 2012-13. However, so far, LFEPA has not suffered the same level of budget cuts as elsewhere in the country. Current forecasts for government grants assume that LFEPA will receive higher grant reductions in 2013-14 and 2014-15 to bring it in line with the national average over the CSR period, but the Mayor's Budget Guidance does suggests that the final settlement may be more favourable.[80]

TfL

A.8 TfL's draft Business Plan sets out gross revenue expenditure in 2013-14 of £6,354 million.[81] In terms of how this is funded: £4,775 million (75 per cent) is forecast to come from fares and other income; £771 million (12 per cent) from business rate retention; £802 million (13 per cent) from government grants; and £6 million (0.1 per cent) from the council tax precept.

A.9 TfL's funding through government grants and from retained business rates is set to fall by £200 million (9 per cent) in 2013-

14 compared to the previous year. However, TfL is forecasting fares and other income to be £392 million (9 per cent) higher in 2013-14 than was budgeted for 2012-13.

A.10 TfL's draft Business Plan includes gross capital funding of £2,249 million (excluding Crossrail). £1,436 million (64 per cent) of this comes in government grants, of which £344 million is revenue funding contributed to capital expenditure. £177 million (8 per cent) comes from capital receipts and £636 million (28 per cent) from third party contributions, net borrowing, other financing and the use of reserves.

LLDC

A.11 According to the LLDC Business Plan for 2012-13 to 2014-15 the LLDC has capital funding of £255 million in 2013-14 and revenue funding of £37 million. £27 million (72 per cent) of this will come from government grants; £10 million (27 per cent) from the GLA; and small amounts (less than 1 per cent) from other income and the use of reserves.

A.12 At the time of printing the LLDC had not submitted its draft budget for 2013-14 to the GLA.

Appendix 3 Supporting information

[1] HM Treasury, *Budget 2012*, pages 85-88.

[2] Announced by the Chancellor in the Autumn Statement, 5 December 2012.

[3] *The Mayor's Budget Guidance for 2013-14*, page 3.

[4] From April 2013, 50 per cent of business rates collected in London will be retained and redistributed locally with the aim of incentivising authorities to promote economic growth. Funding that previously came in government grants to the GLA, TfL and LFEPA will now come from the retention of business rates. Elements of the GLA's general grant, LFEPA's formula grant and TfL's core grant will be included in the scheme. This change will potentially 'localise' over £1 billion of the GLA Group's funding with the GLA, TfL and LFEPA benefiting from a proportion of future London business rates growth and share the risk of any reductions. Information received from GLA Finance officers in May 2012 suggests a figure of 40 per cent of localised rates revenue growth coming to the Mayor is used. There will also be a system of tariffs and top-ups to allow authorities with smaller business rates bases to share to an extent in the proceeds of growth across London.

[5] A new council tax support grant will be incorporated into the business rates retention scheme, replacing council tax benefit subsidy. This will localise council tax benefit and is designed to incentivise local authorities to reduce unemployment, thereby reducing the number of council tax benefit claimants. Where previously the government paid local authorities a council tax benefit subsidy with an element of this then being passed on to the GLA as was given its share of collected precept funding, from April 2013, this is being replaced by a council tax support grant. This grant is expected to be 10 per cent less than funding provided previously through council tax benefit subsidies, but local authorities will also be given additional powers to collect council tax from second and empty homes. The GLA is forecasting these changes to lead to a net reduction in its council tax income of approximately £15 million in 2013-14. However, until local authorities finalise their council tax schemes and the implications of any changes on collection rates are known, this figure is purely speculative.

[6] Martin Clarke, GLA Executive Director of Resources, speaking at the Budget and Performance Committee, 22 November 2012.

[7] London's population will rise to 8.7 million people by 2020. There will be a 10 per cent increase in the number of those aged 65 and over. In 10 local

authorities the current ethnic minority population will become the majority population. Approximately 300,000 more homes and 500,000 extra jobs will be needed. Information taken from a briefing on the Mayor's Vision 2020 given to Assembly Members on 18 October 2012.

[8] LFEPA, TfL and the GLA receive formula grant.

[9] This 50:50 split will remain in place until 2020 at least according to the Department for Communities and Local Government *Business rates retention scheme: The central and local shares of business rates*, June 2012.

[10] Sir Edward Lister, the Mayor's Chief of Staff, speaking at the Budget and Performance Committee, 22 November 2012.

[11] The government will receive 50 per cent of business rates, with the other 50 per cent split 60:40 between local authorities and the GLA, meaning that the GLA will receive 20 per cent of the total growth in business rates. Sir Edward Lister, the Mayor's Chief of Staff, speaking at the Budget and Performance Committee meeting, 22 November 2012.

[12] Discussed at the Budget and Performance Committee meeting, 22 November 2012.

[13] Sir Edward Lister, the Mayor's Chief of Staff, speaking at the Budget and Performance Committee meeting, 22 November 2012.

[14] LFEPA's budget submission document indicates that the budget gap for 2013-14, previously stated as £29.5 million, is now £16.0 million. The budget submission shows that LFEPA must generate additional savings of £37.0 million in 2014-15. The budget gap for 2014-15 is therefore £53 million in total. Figures taken from LFEPA's *Medium Term Financial Strategy* in the LFEPA Board Paper, *Budget Update*, 22 November 2012.

[15] Sir Edward Lister, the Mayor's Chief of Staff, speaking at the Budget and Performance Committee meeting, 22 November 2012.

[16] Boris Johnson speaking on the London Mayoral debate programme aired on BBC television on 22 April 2012.

[17] The Retail Price Index (RPI) measure of inflation for July is used in fares decisions; in July 2012 it had been 3.2 per cent.

[18] TfL, *TfL Business Plan – GLA Budget Update 2011-12 – 2014-15*, page 19.

[19] The £96 million is profiled £6 million / £33 million / £57 million over the years 2012-13 to 2014-15. Figures are provided in a letter from Jonathan Sharrock, Director of London and Olympics at DfT, to Steve Allen, Managing Director of Finance at TfL, 8 November 2012. The £34 million figure was discussed with TfL at the Budget Monitoring Sub Committee on 16 October 2012, and is an approximation.

[20] TfL, *Draft Business Plan* (December 2012), page 48.

[21] TfL, *Operational and Financial Performance and Investment Programme Reports: Fourth Quarter 2009-10, page 31; Fourth Quarter 2010-11*, page 19; *Fourth Quarter 2011-12*, page 23.

[22] TfL, *Operational and Financial Performance and Investment Programme Reports: Second Quarter 2012-13*, page 17.

[23] In 2012-13 TfL had budgeted total operating expenditure of £6.3 billion and capital expenditure (excluding Crossrail) of £2.0 billion. TfL, *Budget 2012*-13, pages 16-17.

[24] TfL, *Operational and Financial Performance and Investment Programme Reports: Fourth Quarter 2011-12*, page 15.

[25] Stephen Critchley, then Chief Finance Officer of TfL, speaking at the Budget and Performance Committee meeting, 12 June 2012.

[26] £24 million savings from budgeted total operating expenditure of £6,326 million in 2013-14 and £89 million savings from £6,442 million in 2014-15. Figures from *The Mayor's Budget Guidance for 2013-14*, page 4 and TfL, *Business Plan - GLA Budget Update, 2011/12 – 2014/15,* Appendix, page 20.

[27] *The Mayor's Budget Guidance for 2013-14*, page 4.

[28] Letter from John Biggs to Peter Hendy, Commissioner of TfL, 11 September 2012.

[29] "With regards to the impact of differing fares options, based on current projections every single-year one-off percentage point change creates a

reduction in fares income of around £340m over the following decade. For context, this is greater than the total cost of delivering the proposed scheme to lengthen all London Overground trains and deliver a 25 per cent increase in capacity." Letter from Peter Hendy, Commissioner of TfL, to John Biggs, 21 September 2012.

[30] MOPAC Budget Submission 2013-14 to 2015-16 (November 2012), section 2.

[31] The scale of the combined challenge of finding savings and improving performance cannot be underestimated. MOPAC has also challenged the MPS to cut its budget by 20 per cent by April 2016. Major cost savings cannot be found by trimming the budgets of specific back-office units. Equally, achieving the public confidence target would see the MPS rise from twenty-sixth to first out of the 42 forces in England and Wales and cutting seven key crime types by 20 per cent would involve over 300,000 fewer crimes taking place in a year. (Figures have been taken from the MOPAC Challenge presentation, 2 October 2012)

[32] Tracie Evans, MPS Director of Resources, speaking at the Budget and Performance Committee meeting, 23 October 2012

[33] Stephen Otter, Her Majesty's Inspectorate of Constabulary, speaking at the Budget and Performance Committee meeting, 23 October 2012.

[34] Her Majesty's Inspectorate of Constabulary, *Policing in austerity: One year on* (July 2012), pages 67-68. The other two forces were Devon & Cornwall Police and Lincolnshire Police.

[35] MOPAC Budget Submission 2013-14 to 2015-16, page 6.

[36] On 7 December 2010, the Committee was reassured by the then Deputy Mayor for Policing that detailed savings planning would take place in the lead-up to the 2012 Games allowing him to "push the button immediately afterwards".

[37] The Deputy Commissioner speaking at the Budget and Performance Committee meeting, 23 October 2012.

[38] New Assistant Commissioners are: Simon Byrne (Territorial Policing), Mark Rowley (Central Operations) and Cressida Dick (Specialist Operations).

[39] The Deputy Commissioner explained to the Committee that if there were previously developed long-term plans he had not seen them (Budget and Performance Committee meeting, 23 October 2012).

[40] The MOPAC Chief Executive, Catherine Crawford, resigned in July. Helen Bailey was appointed Chief Operating Officer in September.

[41] The Police and Crime Committee was initially informed that the draft Plan would be published in October 2012 but it is now expected in January 2013.

[42] *Policing in London: A London Assembly Report into the future shape of the Metropolitan Police Service* (June 2011), pages 22-25.

[43] MOPAC Budget Submission 2013-14 to 2015-16, page 6.

[44] *Policing in London: A London Assembly Report into the future shape of the Metropolitan Police Service* (June 2011), pages 36-42.

[45] *The Draft Fifth London Safety Plan 2013-16*, LFEPA Board Paper 22 November 2012, page 3.

[46] *The Mayor's Budget Guidance for 2013-14*, page 4.

[47] LFEPA's budget gap for 2013-14 is now £16.0 million, from net revenue expenditure of £387.4 million (4.1 per cent). In 2014-15 the figures are £53.0 million out of £363.4 million (14.6 per cent). Figures taken from LFEPA's *Medium Term Financial Strategy* in the LFEPA Board Paper *Budget Update*, 22 November 2012.

[48] London Fire Brigade, *London Safety Plan 2013-16: Pre-consultation draft for stakeholder engagement* (November 2012), supporting documents 4 and 9.

[49] London Fire Brigade research indicates there is no direct link between population size and the number of incidents. However, there is a link between deprivation and the number of incidents, and it is known that older people are more vulnerable to the risk of fire. London Fire Brigade, *London Safety Plan 2013-16: Pre-consultation draft for stakeholder engagement* (November 2012), supporting document 2.

[50] The London Legacy Development Corporation (the LLDC) was created as London's first Mayoral Development Corporation. From April 2012 it took on the responsibilities of the Olympic Park Legacy Company (OPLC) as well as some of the assets and responsibilities of existing regeneration agencies in the area, such as the London Thames Gateway Development Corporation. In October 2012 the LLDC took control of the Olympic Park from the London Organising Committee of the Olympic and Paralympic Games (LOCOG) and also took on the planning powers for the Park.

[51] Greater London Authority, *OPLC: proposals by the Mayor of London for public consultation* (February 2011), page 5.

[52] LLDC *Business Plan,* page 3.

[53] A recent LLDC Board paper noted that "the obligations to return significant receipts and deliver the wider socio economic objectives are not necessarily aligned". LLDC Board Paper 10, *Legacy Communities Scheme Planning Permission* (27 September 2012) page 4.

[54] www.backboris2012.com/olympics

[55] LLDC press release, 5 December 2012. "The Legacy Corporation's Board determined that any agreement with West Ham United should be conditional on resolution of a number of issues including: the final specification for adaptations to the stadium and associated funding; securing planning permission; obtaining appropriate national governing body approvals; and the finalisation of commercial terms, including a mechanism to protect the taxpayers' investment in the stadium were the value of the club to increase significantly through a change in location."

[56] £38 million from the Olympic budget and £40 million from Newham Council as a loan.

[57] For example see the Assembly's Economic Development, Culture, Sport and Tourism Committee's report *Towards a lasting legacy: a 2012 Olympic and Paralympic Games update* (July 2009), page 24.

[58] Chief Executive of the LLDC, Dennis Hone, speaking at the Budget and Performance Committee meeting, 7 November 2012.

[59] Confirmed by Neale Coleman, Director of London 2012 Co-ordination at the GLA, at the Budget and Performance Committee meeting, 7 November 2012.

[60] Dennis Hone speaking at the Budget and Performance Committee meeting, 7 November 2012.

[61] LLDC Board Paper 10, *Legacy Communities Scheme Planning Permission* (27 September 2012) pages 6-7.

[62] Details of the financial implications of the Section 106 agreement were requested at the Budget and Performance Committee meeting on 7 November 2012.

[63] For example, see Budget and Performance Committee, Pre-Budget Report 2011, October 2011, pages 11-12.

[64] *The Mayor's Budget Guidance for 2013-14*, page 3.

[65] The following table sets out the differing targets that have been set for savings from shared services in the past year:

Annual savings targets from shared service arrangements (£ millions)					
As set out in the:	2012-13	2013-14	2014-15	2015-16	Cumulative total
Mayor's 2012-13 Budget	150	300	300	300	1,150
Mayor's 2013-14 Budget Guidance	Unspecified	Unspecified	Unspecified	Unspecified	600
Letter to the Budget and Performance Committee, from the Mayor's Chief of Staff, Sir Edward Lister, 1 August 2012	150	300	450	600	1,500

[66] The largest contributor to this target will be savings in estates management and facilities management, due to generate £54 million of

savings in 2014-15, but nothing in 2013-14. *The Mayor's Budget Guidance for 2013-14*, page 5.

[67] Letter from the Mayor's Chief of Staff to the Committee, 1 August 2012.

[68] £36 million of savings from TfL's internal Project Horizon had been classed as a shared service saving. The Mayor's Consultation Budget for 2012-13, page 92.

[69] The Mayor's Consultation Budget for 2012-13, page 92.

[70] For a recent example see the National Audit Office report *Efficiency and reform in government corporate functions through shared service centres,* March 2012.

[71] Noting the limitations to shared services set out in legislation S.401A of the GLA Act 1999, as amended by S.230 of the Localism Act 2011.

[72] 55,000 affordable homes between the financial years 2011-12 and 2014-15.

[73] 16,173 homes were completed in 2011-12. 425 homes were started and 1,558 completed in the first six months of 2012-13 to the end of September 2012. Letter from David Lunts, GLA Executive Director of Housing and Land, to John Biggs, 20 November 2012.

[74] Investment & Performance Board, *GLA Project Performance Update at Period 5*, 25 September 2012, Appendix.

[75] It is estimated that up to two new jobs are created for one year from the construction of one home. HM Government, *Laying the Foundations: a Housing Strategy for England* (November 2011), page viii.

[76] 3,653 council homes were improved in 2011-12. Targets for the rest of the period are 5,850 in 2012-13, 11,197 in 2013-14 and 24,300 in 2014-15. Letter from David Lunts to John Biggs, 20 November 2012.

[77] London emitted 44.5 million tonnes of carbon dioxide in 2010, compared to 40.1 million tonnes as per the modelling underpinning the Mayor's Climate Change Mitigation and Energy Strategy (October 2011). Actual

figure for 2010 is taken from the Department for Energy and Climate Change's Local Authority Emissions Statistics (23 August 2012).

[78] The budget for the RE:NEW home retrofit programme is due to fall from £3.3 million in 2012-13 to £0.3 million in 2013-14. Funding for RE:FIT public sector building retrofit programme is set to fall from £1.5 million in 2012-13 to £1 million in 2013-14 and £0.3 million in 2014-15. Draft GLA Budget 2013/14, page 25.

[79] Letter from David Lunts, GLA Executive Director of Housing and Land, to John Biggs, 20 November 2012.

[80] *2012-14 Budget Guidance Proposals*, Letter from the Mayor to Chairman of LFEPA, 19 October 2012.

[81] Total revenue funding includes: Council tax precept, general grant, all forms of income including interest, less the revenue surplus used for the capital programme. Debt interest and Group items have not been netted off. Figures have been taken from the TfL, *Draft Business Plan* (December 2012), page 55.

Appendix 4 Orders and translations

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Chinese

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Hindi

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

Vietnamese

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

Bengali

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

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

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

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

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