

The Mayor's Budget Guidance for 2013-14

27 June 2012

Executive Summary of the Mayor's Budget Guidance for 2013-14

1. The Budget Guidance for 2013-14 reflects the requirement on the GLA Group to deliver the Mayor's new policy priorities. However, these new priorities are set against the backdrop of a challenging financial situation and changing responsibilities and structures for the GLA Group. Set out below is a summary of the key points in this guidance.
2. The Mayor's key policy priorities, which are to be reflected in future years budgets, can be summarised, as follows:
 - Cutting waste at City Hall to free up resources for services;
 - Reducing the Council Tax precept by 10% by 2016-17;
 - Creating 200,000 new jobs over the next four years;
 - Making our streets and homes safer with 1,000 more police on the beat;
 - Restoring 300 acres of green space and planting 20,000 street trees;
 - Investing £221 million to transform local high streets and supporting small businesses;
 - Ensuring a true Olympic legacy - 11,000 new homes and 10,000 new jobs;
 - Reducing tube delays by 30 per cent by 2015. Building Crossrail and an orbital rail to link our suburbs. Extending the Bike Hire scheme; and
 - Securing a better deal for London from No. 10.
3. The Mayor's consolidated Budget agreed in February 2012 set out indicative shares of the Council Tax precept for each functional body for 2013-14 and 2014-15 and based on these the Mayor re-iterates that he requires each member of the GLA Group to prepare budget proposals consistent with the Council Tax requirements specified below.

Member of GLA Group*:	Council Tax Requirement 2013-14 (£m)*	Council Tax Requirements 2014-15 and 2015-16 (£m)*
Mayor and Assembly	109.3	114.4
LFEPA	151.5	150.7
LLDC	0.0	0.0
MOPAC	668.3	664.0
TfL	6.0	6.0
Total	935.1	935.1

*Subject to revision due to the impact of the Local Government Resource Review and Council Tax Benefit Localisation.

4. The Council Tax Requirements specified above is, for planning purposes, the starting baseline and needs to be viewed in the context of the Mayor's manifesto commitments:
- to reduce the GLA's precept by 10 per cent by 2016-17; and
 - 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.

As and when, appropriate changes will be made to future Council Tax Requirements for planning purposes to reflect these commitments.

5. The Mayor intends to set out further draft budget proposals in October 2012 to functional bodies. However, the Mayor specifically requests that all functional bodies prepare to make a full and final budget submission in accordance with this guidance by the middle of November. This submission is to include a full exemplification of savings proposals to meet the Council Tax Requirements specified above. This deadline is critical to meet the statutory requirement for a draft budget to be issued for consultation in December.
6. Most of the key public expenditure decisions for the GLA Group over the Comprehensive Spending Review Period have been announced and the scale of reductions required is mostly clear but difficult. However, there is uncertainty about the exact scale of Government support for LFEPA and the MOPAC and the impact of changes to the local government finance system for 2013-14 compounds these difficulties. Further, the GLA has absorbed significant new responsibilities and the new governance structures for police and Olympic legacy have only recently come into operation.
7. Although there is uncertainty about grant levels, the outcome of the Local Government Resources Review and the effect of Council Tax Benefit Localisation, planning needs to take place for at least the three year period to 2015-16.
8. This Budget Guidance has two sections: advice to the functional bodies; and then guidance concerning the component budgets for the Mayor and the Assembly. It seeks to ensure that all members of the GLA Group, as far as is possible and practical, prepare their budgets consistently and within the same timescales.

9. In summary, this Budget Guidance reflects the Mayor's new policy priorities. However, alongside the scale of savings required, it means that this budget process will be challenging.

A handwritten signature in black ink, appearing to be 'Boris Johnson', with a long horizontal flourish extending to the right.

Boris Johnson
Mayor of London
27 June 2012

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GUIDANCE TO THE FUNCTIONAL BODIES

1. Introduction

- 1.1 The GLA Budget ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources. Set out below is the formal guidance to the functional bodies for the 2013-14 Budget.
- 1.2 The 2013-14 budget process has some important changes from earlier years. In summary, it requires functional bodies to:
 - consider this Guidance and continue preparing their 2013-14 budget submissions. In particular, it requires functional bodies to reflect the Mayor's new policy priorities in their budget preparations;
 - await preliminary draft budget proposals being issued by the Mayor for consultation with each of the functional bodies by 15 October, 2012 and make a formal response to these proposals;
 - to make a full and final budget submission to the Mayor by 19 November, 2012 with proposals that ensure their budget is within the Council Tax Requirements specified;
 - consider and respond to the publication of the Mayor's draft consolidated budget which is to be published on or around 17 December 2012; and
 - from 17 December, 2012 through to 13 February, 2013 consider the Assembly's budget proposals.
- 1.3 A more detailed Budget Timetable is attached as **Appendix A**.
- 1.4 In the light of progress against the current year's budget, emerging issues and significant developments, this Budget Guidance will need to be kept under review and the timetable may need to be revised.
- 1.5 The information sought from functional bodies in this Budget Guidance is requested in accordance with the provisions of sections 110 and 125 of the GLA Act 1999.

2. Strategic policy aims and objectives

- 2.1 The budget development process is designed to ensure that the Mayor's budget proposals are an accurate reflection of the Mayor's priority aims and objectives within available resources. These balance the Mayor's manifesto commitments with his statutory responsibilities and priorities arising from national and international events.
- 2.2 The Executive Summary to this Guidance sets out the Mayor's key policy priorities. Functional bodies are required to reflect these priorities, where relevant, in their business plan and budget proposals. Functional bodies attention is drawn to the Mayor's manifesto commitments and more detailed guidance on the Mayor's priorities will be issued.
- 2.3 However, the Mayor's requirements that functional bodies make a budget submission within the specified Council Tax Requirements does set an important constraint on the level of growth that will be available to finance new policy priorities. Therefore, functional bodies will be required to absorb growth proposals from within their overall set Council Tax Requirements.

3. Budget proposals

- 3.1 The key deadline for each functional body:

♦ By 19 November, in the light of preliminary draft budget proposals issued by the Mayor, to make a full budget submission as specified at Appendix B.

- 3.2 The relaxation of the deadline for making a full budget submission to mid-November reflects the work across the Group taking place on the Olympics. It is expected that a functional body's response by mid-November will be a public document and not be issued as private advice to the Mayor. It is important to emphasise that the submission in mid-November will not conclude the GLA's budget process. However, it is expected that proposals submitted will be sufficient for each functional body to set a balanced budget for 2013-14 within the Council Tax Requirements specified and will include all the information specified in this Guidance.
- 3.3 Regular officer meetings between the GLA and each functional body will be held to discuss the material to be submitted by mid-November, or be advised of any subsequent developments and resolve any queries that might arise.
- 3.4 Before the full and final submission from functional bodies, the Mayor expects to draw up draft budget proposals by 15 October. He will require comments on these proposals from functional bodies with their full budget submissions in mid-November.

4. Budget and business plans

4.1 The business plans to be submitted by 19 November must:

- ◆ Cover at least the period to 2013-14 to 2015-16
- ◆ Set out what is planned to be achieved in high-level terms over that period

Appendix B to this guidance provides further information on the financial information to be provided

4.3 The above information and matters raised in the responses will be taken into account when the Mayor issues his budget proposals, which will be subject to wider consultation, on or around **17 December**.

4.4 Financial information in or accompanying the business plans needs to be consistent with the format used in the Mayor's published budget documents. In the interests of efficiency, the need to consolidate into a group format and aid budget consultation, information must be presented in a similar format throughout the budget process. GLA officers will work with the functional bodies to seek to minimise these burdens.

5. Financial planning guidelines

5.1 The Mayor firmly believes that value for the national and council taxpayer must drive the development of forward plans for the GLA Group. The Budget agreed in February 2012 set out indicative shares of the Council Tax precept for each functional body for 2013-14 and 2014-15 and based on these the Mayor re-iterates that he requires each member of the GLA Group to prepare budget proposals consistent with the Council Tax requirements specified below.

5.2 The Council Tax Requirements specified below is, for planning purposes, the starting baseline and needs to be viewed in the context of the Mayor's manifesto commitments:

- to reduce the GLA's precept by 10 per cent by 2016-17 (ie. To reduce the existing Band D Council Tax by at least £30.67 to £276.05 by 2016-17); and
- 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.

5.3 As and when, appropriate changes will be made to future Council Tax Requirements for planning purposes to reflect these commitments. Subject to any further guidance issued later in the year, budget plans should be prepared on the assumptions as set out below. The figures for LFEPA and MOPAC are based on assumed Government grant allocations, which for 2013-14 and 2014-15 remain uncertain. As 2015-16 is likely to be the first year of a new Comprehensive Spending Review, which has yet to be announced, figures are even more uncertain in that year. These difficulties are

compounded by the expected introduction of the new Business Rates Retention Scheme from 2013-14. This new financial regime is also likely to impact upon the future funding of the GLA, LFEPA and TfL. A separate budget process is described for the LLDC.

- 5.4 Similarly the planned localisation of council tax benefit from April 2013 alongside a 10% reduction in Government funding will also need to be taken into account in setting the final council tax requirements. Subject to the enactment of the Local Government Finance Bill the existing council tax benefit subsidy will be replaced by a new support grant which will be apportioned between the GLA and each London borough in line with local council tax shares. This will reduce the London wide council tax base and therefore the aggregate council tax requirements for the Group. The council tax requirements below are therefore presented gross of any assumptions on levels of council tax support grant.

MOPAC	<ul style="list-style-type: none"> ◆ Council Tax Requirement 2012-13 - £695.0m ◆ Council Tax Requirement 2013-14 - £668.3m Savings Required 2013-14 - £148.4m ◆ Council Tax Requirement 2014-15 - £664.0m Additional Savings Required 2014-15 - £84.1m (Cumulative savings required over 2013-15 - £380.9m) ◆ Council Tax Requirement 2015-16 - £664.0m Savings Required 2015-16- To be determined
LFEPA	<ul style="list-style-type: none"> ◆ Council Tax Requirement 2012-13 - £120.7m ◆ Council Tax Requirement 2013-14 - £151.5m Savings Required 2013-14 - £29.5m ◆ Council Tax Requirement 2014-15 - £150.7m Additional Savings Required 2014-15 - £35.3m (Cumulative savings required over 2013-15 - £94.3m) ◆ Council Tax Requirement 2015-16 - £150.7m Savings Required 2015-16 – To be determined
TfL	<ul style="list-style-type: none"> ◆ No change to the published Council Tax Requirements of £6 million in 2013-14, 2014-15 and 2015-16. ◆ Savings assumptions as necessary to balance the Business Plan – which when last set out in the Business Plan were £1,156m in 2013-14 and £1,245m in 2014-15. (On an incremental basis this equates to new additional net savings of £24m in 2013-14 and £89m in 2014-15). Savings for 2015-16 are to be determined.
LLDC	<ul style="list-style-type: none"> ◆ As specified directly below.

5.5 The delivery of budgets within these Council Tax Requirements should come from the rigorous pursuit of savings, including those from increased joint working across the GLA Group. It should be emphasised that savings exemplifications for 2013-14 should not include any balancing figures or state that savings remain to be identified. Full and robust savings options for 2013-14 must be set out by the deadline of 19 November. Functional bodies are encouraged to make savings as soon as possible to ensure that they have a full year effect in 2013-14, and if possible there is a part-year effect in 2012-13.

Collaborative Procurement and Shared Services

5.6 In order to secure the Mayor's manifesto commitments on collaborative procurement and shared services, functional bodies are required by the Mayor to work to deliver efficiency savings across the Group. This was an explicit commitment in the Mayor's letter of appointment to the Chairs of each functional body. Attention is drawn to section 9 of Appendix B which sets out details of how each functional body should report their delivery of collaborative procurement and shared services savings. In particular, efficiency savings reported can include capital expenditure, as well as revenue expenditure.

5.7 On top of this overall commitment, the Mayor requires all functional bodies to explicitly work on the three areas specified below and collectively deliver the following efficiency savings.

Service Area	Efficiency Savings Required (£m)
Collaborative Procurement - Staffing	2013-14 - £3.75m
	2014-15 - £7.5m
Audit	2013-14 - £1.1m
	2014-15 - £2.3m
Single Property Unit	2013-14 - £0m
	2014-15 - £54m

5.8 These savings figures are within the aggregates specified in the Table at 5.4 above (except that the 2014-15 figure for the Single Property Unit is additional to the overall savings figure required in 2014-15). The basis of these savings figures is set out in Appendix C. The following have been assigned the responsibility for preparing a report on savings to be made by deadline of 19 November: Collaborative Procurement- TfL, Audit – MOPAC; and Single Property Unit – GLA.

LLDC

5.9 The GLA has received a grant settlement from DCLG to 2014-15 as part of the London Settlement which incorporates grant funding that was previously earmarked for the Olympic Park Legacy Company before the formal establishment of the London Legacy Development Corporation. The LLDC should assume that it will continue to receive revenue and capital grants as itemised within the London Settlement via grant funding from the GLA. In addition the Mayor will provide revenue grant funding of £10 million per annum towards running costs

as included within the Mayor's existing forward budget plans to 2014-15. The LLDC should therefore prepare its budget and business plans in line with this grant funding, but with a zero component council tax requirement.

- 5.10 The Mayor expects the LLDC to seek every opportunity to bring investment from the private sector into its area, including use of Community Infrastructure Levy (CIL) revenues from within the Olympic Park, and generate returns from the development of its assets. In the period covered by this Guidance the LLDC should develop plans, including savings options required, on the basis of these grant funding commitments. However, in addition it should also set out alternative plans together with any savings required and their potential consequences should the Mayor decide to revise these funding assumptions.

Review process

- 5.11 The planning guidelines will be kept under review in light of the 2011-12 out turn and any indication that government grant levels already announced might change. Further guidance is likely to be issued once more details of the outcome of the Local Government Resources Review become known, probably in late July. Other supplementary guidance will be circulated if necessary during the budget process.

Capital

- 5.12 Despite the fact that there are separate statutory deadlines for capital and revenue, one overall Budget document is to be prepared, with revenue and capital published together. The Budget Guidance requests that functional bodies integrate their Capital Spending Plans and the Revenue Budget together into one overall budget submission in mid-November. The Mayor proposes then to consult others on one integrated capital and revenue budget. This will mean that both revenue and capital proposals should be approved by the end of February. GLA and TfL officers will work together to revise and improve the clarity of the presentation of TfL's capital and revenue expenditure.
- 5.13 It is important that proposed capital spending plans demonstrate a rationale / justification for any increase in borrowing over and above the limits that the Mayor approved in the Budget for 2012-13, including any change in the level of headroom between their operational boundary and borrowing limit. The plans must be affordable and the revenue implications fully built into the revenue budgets prepared in accordance with this Guidance.

Reserves

- 5.14 For the purposes of making the savings proposals in the full budget submissions in November, functional bodies should assume no new use of reserves in meeting the financial planning guidelines set out above, except where such reserves are required to be applied to meet any redundancy costs or up front investment in 'invest to save' projects etc. The Mayor will make proposals on the use of reserves in light of the overall need for reserves and the impact on the GLA council tax precept at a later stage in the process.

Efficiencies

- 5.15 Following the recommendation of the Assembly, the Mayor requires functional bodies to split overall savings proposals as specified in the table above between efficiencies and

savings. Functional bodies may find the definition of efficiency used by the Audit Commission, defined in the previously used National Indicator 179, useful. But, it is for each functional body to split savings between these categories. For these purposes non-cashable efficiencies are to be excluded.

6. Managing the budget process

- 6.1 During the budget process the Mayor and his advisers will, whenever appropriate, use meetings with functional body members and chief officers to discuss the main strategic issues to be addressed in the Budget. The intention is that there will be regular officer-level meetings throughout the budget development period, with specific meetings with the Mayor and/or his advisers as required.

7. Dialogue with budget consultees and contacts

- 7.1 The statutory framework for consultation on the Mayor's draft consolidated Budget is restricted by the time available (mid December to mid January). To complement and prepare for this part of the budget process, the GLA Group should maintain a dialogue with, and provide information to, key stakeholders.
- 7.2 This guidance does not cover the Assembly's Budget and Performance Committee's normal scrutiny process in relation to the functional bodies. This is a different process to the Committee's scrutiny of the GLA's budget. The Budget and Performance Committee will be requesting information at key stages of the 2013-14 Budget process and there will be a requirement for members and officers of each functional body to attend Committee meetings as appropriate.
- 7.4 If any further information or clarification is required on this guidance then please contact: David Gallie, Assistant Director - Finance on 020 7983 4968 or e-mail: david.gallie@london.gov.uk

GUIDANCE ON THE COMPONENT BUDGETS FOR THE MAYOR AND THE ASSEMBLY (SECTIONS 8-14 DO NOT APPLY TO FUNCTIONAL BODIES)

8. Introduction

- 8.1 The Budget ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources. Set out below is the formal guidance to the GLA for the preparation of the Mayor and the Assembly component budgets for 2013-14. The GLA's budget process covers the entirety of GLA activities, including those of the London Enterprise Panel covering the GLA area. The Guidance reflects the significant growth in the GLA's Capital Programme and requires an integrated submission of both capital and revenue expenditure. This guidance is also relevant for other parts of the GLA family, for example the London Pensions Fund Authority (LPFA).
- 8.2 For the GLA and Assembly the timetable is, as follows:
- Budget Guidance issued on 27 June by the Mayor, revised if necessary in light of emerging issues;
 - Separate budget development for the Mayor's component budget and for the Assembly to run until 21 September;
 - By no later than 21 September in accordance with this Guidance and subsequent advice, GLA officers to supply to Doug Wilson, Senior Finance Manager a full submission of capital and revenue proposals, including revenue savings exemplifications for the GLA (excluding the Assembly);
 - By no later than 21 September, the Assembly submits to the Mayor savings options in accordance with this Guidance;
 - The Mayor issues preliminary draft budget proposals for the GLA and Assembly 15 October;
 - The Mayor considers the formal response of the Budget & Performance Committee to his draft budget proposals for the Mayor and the Assembly component budget and the Mayor issues formal draft budget proposals for the whole of the GLA Group for consultation on or around 17 December; and
 - From 17 December through to 13 February the Assembly considers budget proposals.
- 8.3 A more detailed Budget Timetable is attached at Appendix D.
- 8.4 Subject to the above, a Mayor and Assembly budget for 2013-14, including a Capital Programme for the GLA for at least the three year period to 2015-16, will be set out to the Budget and Performance Committee on 22 October.
- 8.5 This Budget Guidance will need to be kept under review in light of progress against the emerging issues and significant developments.

9. Strategic policy aims and objectives

- 9.1 Please refer to section 2 of the guidance to functional bodies.

10. Budget proposals

- 10.1 To allow formal consultation on the Mayor's prospective budget, a full and final budget submission is required by 21 September from GLA officers for the GLA's services (excluding the Assembly) and from the Assembly by the same date.
- 10.2 The proposals to be submitted are to be sufficient for the Mayor and the Assembly to set a balanced revenue budget for 2013-14 within the Council Tax Requirements specified and are to include all the information specified in this Guidance. This includes making savings proposals at a level to allow the savings targets arising from the Mayor's Council Tax Requirements to be fully met. It also includes preparing a Capital Spending Plan for the period to 2015-16.
- 10.3 Regular meetings will be held between GLA officers and finance staff to discuss this Guidance and the savings to be submitted by 21 September, advise of any subsequent developments and resolve any queries that might arise.
- 10.4 Following the submissions from GLA officers and the Assembly the Mayor expects to draw up draft budget proposals for the GLA's budget to be considered at the Budget and Performance Committee on 22 October. Once comments have been made the Mayor will then draw up proposals to be included in the statutory consultation to start on 15 December.

11. Budget and business plans

- 11.1 Once comments from the Budget and Performance Committee have been received and considered on the draft budget proposals, including the savings options, GLA finance officers will conclude the preparation of the GLA's budget. This will include the GLA's Capital Spending Plans and borrowing limits and will be in accordance with the detail set out in **Appendix B**. The Mayor's draft component budgets will then be subject to wider consultation expected to commence on or around **17 December**.

12. Financial planning guidelines

- 12.1 The Mayor firmly believes that value for the national and council taxpayer must drive the development of forward plans for the GLA. The Budget agreed in February 2012 set out indicative shares of the Council Tax precept for the GLA for 2013-14 and 2014-15 and based on these the Mayor re-iterates that he requires GLA officers and the Assembly to prepare budget proposals consistent with the Council Tax requirements specified below.
- 12.2 The Council Tax Requirements specified below is, for planning purposes, the starting baseline and needs to be viewed in the context of the Mayor's manifesto commitments:

- to reduce the GLA's precept by 10 per cent by 2016-17 (ie. To reduce the existing Band D Council Tax by at least £30.67 to £276.05 by 2016-17); and
- 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.

12.3 As and when, appropriate changes will be made to future Council Tax Requirements for planning purposes to reflect these commitments. Subject to any further guidance issued later in the year, budget plans should be prepared on the assumptions as set out below.

12.4 Savings for 2013-14 and future years for the Mayor and the Assembly are based on assumed reductions in financial support coupled with changes to be introduced to the local government finance system. Subject to any further guidance issued later in the year, particularly once the Government makes further announcements on the Business Rates Retention scheme in July, budget plans should be prepared as follows:

Mayor and Assembly:	♦ Council Tax Requirement 2012-13 - £123.1m, 2013-14 - £109.3m and 2014-15 and thereafter - £114.4m.
Mayor:	♦ Savings Requirement 2013-14 - £3.1m and 2014-15 - £3.1m. Savings Requirement 2015-16 – To be determined.
Assembly:	♦ Savings Requirement 2013-14 - £0.6m and 2014-15 - £0.6m. Savings Requirement 2015-16 – To be determined.

12.5 It is proposed that direct budgets in respect of the Elections are to be treated as controllable expenditure. However, there are a number of non-controllable items listed at Appendix D which are exempt from these savings requirements. Nevertheless, all these services need to maintain their costs and contain any growth within existing approved budgets. However, there will be committed savings arising from the Olympics concluding and the reduction in ongoing funding from transferred functions.

12.6 It is of course for the Assembly to determine the split, if any, of their savings target of £0.6m in 2013-14 between their services. At this stage there is no explicit allocation of the £3.1m of target savings for the Mayor's budget between Directorates. However, the Mayor requires there to be a continuous and ongoing review by each service of their scope to make efficiency savings.

12.7 The presumption is that each service should be able to offer net savings of 2.5 per cent of their controllable expenditure each year during this administration. Each service will be required to report on the outcome of their continuous and ongoing efficiency review to contribute towards the overall savings target. Details of the timeline for this process will be issued. All services are encouraged to make savings as soon as possible to ensure

a full year effect in 2013-14, and if possible that there is a part-year saving in 2012-13. A savings template for the GLA only is attached at Appendix F.

12.8 Despite the fact that there are separate statutory deadlines for capital and revenue, one overall Budget document is to be prepared, with revenue and capital published together. The GLA's Capital Spending Plans and borrowing limits will be incorporated into the report to the Budget and Performance Committee on 22 October and the statutory budget consultation to start on 15 December. Set out below is a summary of the process for the preparation of the GLA's Capital Programme for 2012-16.

12.9 Set out below is a summary of the GLA approved Capital Programme for 2012-16.

	2012-13 (£'m)	2013-14 (£'m)	2014-15 (£'m)	2015-16 (£'m)	Total (£'m)
GLA	1,612.7	1,550.7	1,238.1	669.4	5,070.9

12.10 Finance officers will lead a review of the resource assumptions underpinning this Programme and conclude a re-profiling of expenditure. However, the working assumption is that no new additions should be made to the Capital Programme unless they are funded from within this overall resource or new additional resources are available. Therefore, at this stage no bids are to be requested for additions to the Capital Programme, except for those that can be funded within the existing Programme or from new resources.

12.11 Finance officers will report on the outcome of the review of capital resources and expenditure re-profiling and issue further instructions as necessary on the preparation of the Programme.

13. Managing the budget process

13.1 During the budget process the Mayor and his advisers will, whenever appropriate, use meetings with GLA officers to discuss the main strategic issues to be addressed in the budget. The intention is that there will be regular officer-level meetings throughout the budget development period to 21 September with specific meetings with the Mayor and/or his advisers as required.

13.2 During the period to 21 September the officer-level meetings will be focused on ensuring that:

- Information to be provided in the submissions is in accordance with this guidance and that budget information reflects Mayoral priorities;
- There is consistency and integration across the GLA on relevant issues; and

- The initial responses provide the information necessary to produce the Mayor's draft budget proposals, in particular that savings proposals are concluded during September.

13.3 Having considered comments from the Budget and Performance Committee in October the Mayor will issue his statutory draft budget proposals on or around 17 December. It is anticipated that once further information becomes available some revisions may be necessary to this guidance. The Mayor may also decide on final changes following comments by the Assembly in January on his draft consolidated Budget.

14. Dialogue with budget consultees and contacts

Please refer to section 7.

Budget Timetable for Functional Bodies

27 June 2012	Mayor's Budget Guidance issued.
27 June to 19 November	Budget preparation underway in each of the functional bodies, including developing savings proposals for 2013-14 of £148.4m for MOPAC, £29.5m for LFEPA and developing savings submissions from LLDC and TfL.
By end of July	Government issues more principles on the new Business Rates Retention scheme.
By 15 October	Preliminary draft budget proposals prepared and issued for consultation with FBs and Assembly.
19 November	Assembly/FBs responses received to draft budget proposals issued, including full and final budget submissions from the FBs on all other aspects of 2013-14 Budget as specified in Appendix B.
17 Dec	Following the Local Government Finance Settlement being published, issue draft consolidated budget, including Capital Spending Plans and borrowing limits. Statutory scrutiny of Mayor's budget proposals starts.
30 Jan	Assembly to consider draft consolidated budget.
13 Feb	Assembly final consideration of consolidated budget, including Capital Spending Plans and borrowing limits.
28 Feb	Last date to set GLA precept and issue the Mayor's Statutory Capital Spending Plan.

Financial information required by 19 November from Functional Bodies

Component budgets

Service Analysis

1. The main financial element of the final budget submissions will be an analysis of budget proposals by service division/objective for the three years 2013-14 to 2015-16 with comparative figures for 2012-13 Budget and forecast outturn and actual 2011-12 outturn showing:

- ◆ Income to be raised and expenditure to be incurred in providing the complete range of services provided by the body
- ◆ Capital financing costs (including capital expenditure charged to revenue)
- ◆ External interest receipts
- ◆ All estimated income from general Government grants (formula grant, Home Office Police Grant and GLA General Grant) and specific Government Grants (including GLA Transport Grant). Supplementary instructions will be issued in due course to LFEPA and TfL in respect of the treatment of any funding being provided through retained business rates from April 2013.
- ◆ Transfers to and from reserves
- ◆ Any other financial charges and adjustments
- ◆ The resultant Council Tax requirements.

2. If the service division/objective analysis is revised from that used for 2012-13, then the figures for the previous year should be re-stated on a comparable basis.
3. The budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2012-13, separately identifying changes in each of the three years due to:

- ◆ Inflation
- ◆ Changes in service levels (making a distinction between those which are committed and those which are new initiatives)
- ◆ Savings and efficiencies
- ◆ General and specific government grants (including any funding to be provided from retained business rates)
- ◆ Use of reserves
- ◆ Any other significant reasons.

Subjective analysis

4. A subjective analysis must also be submitted covering the three-year plan period 2013-14 to 2015-16, including a comparison with 2012-13 figures.

New initiatives and service improvements

5. A clear distinction must be made between full year effects of new activities approved in 2012-13 or earlier years – these are committed service increases – and proposed new initiatives. However, for clarity, the definition of new initiatives is restricted to new provision of services and service improvements, including those to be funded by a redeployment or more effective use of existing resources.
6. Each new initiative / service improvement should have a brief description of the proposal including the expected service improvement or deliverable, and the cost in each of the three years 2013-14 to 2015-16. Costs of new initiatives should be reflected in each of the three years in which they will be incurred i.e. unless the initiative is of a short-term nature, costs will be repeated in all years.

Savings and efficiencies

7. Functional bodies are required to make savings as set out in section 5 of this guidance for 2013-14 and submit this information by no later than the 19 November. The requirements upon each functional body are differentiated. However, each functional body is required by the Mayor to fully supply the information on savings specified.
8. There is no specified format for these savings to be exemplified but functional bodies may wish to have regard to the GLA's savings template at Appendix F. The impact of savings proposals needs to be set out so that the Mayor's duties to consult on his budget can be discharged. Further, following the recommendation of the Assembly, the Mayor requires functional bodies to split overall savings proposals as specified in the Guidance between efficiencies and savings. Functional bodies may find the definition of efficiency used by the Audit Commission, defined in the previously used National Indicator 179 for local and fire authorities (see <http://www.communities.gov.uk/documents/localgovernment/pdf/965855.pdf>) useful. But, it is for each functional body to split savings between these categories. For these purposes non-cashable efficiencies are to be excluded.
9. The following information on savings is to be supplied by 19 November:

- ◆ The assumptions made on elements of the budget that are and are not reducible in the short term, with savings required expressed as a percentage of that reducible amount (NB. Each functional body is to define 'reducible' itself. The GLA will report the savings percentages calculated separately, and will not seek to aggregate them across the Group, as this would be misleading).
- ◆ A brief description of the expected savings to be achieved, separately identifying cashable savings to be achieved by:
 - Procurement efficiencies
 - Reducing staff input/headcount reduction
 - Cost avoidance
 - Other means
- ◆ As described above the achievement of savings targets must be split between cashable efficiencies and savings.
- ◆ The saving in each of the three years 2013-14 to 2015-16, should be shown in the analysis on a cumulative basis i.e. ongoing savings should be reflected in all years but also savings should be shown on an incremental basis ie. The additional net new savings to be made in each year
- ◆ A further analysis should be provided to identify separately the amounts of savings to be achieved through: shared services and collaborative procurement. This to include separate reporting on Collaborative Procurement, Audit and the Single Property Unit as described in this Guidance.
- ◆ A comparison/reconciliation of the amount of savings with any government targets

10. In addition to providing an analysis of savings, functional bodies must also outline:

- ◆ Progress in achieving efficiencies and savings agreed as part of the 2012-13 Budget, including the latest available estimate of projected financial performance in 2012-13 and a comparison to the 2011-12 outturn.

Reserves and general balances

11. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA in June 2003, but mindful of the guidance on reserves and balances in this document, the GLA and the functional bodies must provide:

- ◆ A statement of reserve policy
- ◆ Details of all reserves and general balances
- ◆ An analysis and explanation of the expected movements between the start and end of each year from 1 April 2012 to 31 March 2016
- ◆ In the case of earmarked reserves held for purposes beyond 31 March 2016, an indication should be given as to when they are likely to be applied
- ◆ Proposed allowances for contingencies separately identified and justified. (NB. Contingencies are defined here as in statutory budget calculations).

Inflation factors

12. There is no specific guidance for pay and inflation rates to be used but all functional bodies will need to take account of the Government's public sector pay limits and any nationally or locally agreed pay deals. However, the functional bodies must be able to explain their inflation assumptions (for both pay and non pay costs) and all figures must be at outturn prices.

Robustness of estimates and adequacy of reserves

13. To help the GLA meet the statutory requirements of the Local Government Act 2003, functional bodies must provide a report by their Chief Finance Officer on the robustness of the proposed budget estimates and the adequacy of the proposed financial reserves.

Borrowing limits

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

- ◆ Estimates of proposed authorised limits over the capital spending plan period 2012-13 to 2015-2016. These must be justified by reference to the requirements of the Prudential Code, including providing calculations of the prudential indicators, and supported by a draft capital spending plan (see below)
- ◆ A rationale/justification for any increase in borrowing over and above the limits that the Mayor approved in 2012-13 Budget, including any change in the level of headroom between the operational boundary and borrowing limit
- ◆ The level of borrowing required to support the draft capital spending plan
- ◆ The sources of this borrowing.

Capital spending

15. The draft capital spending plan should be supported by:

Strategy/policy

- ◆ A statement linking capital expenditure to the delivery of the organisation's objectives/priorities
- ◆ A statement outlining how projects have been prioritised

Links to revenue budget

- ◆ The revenue/operational expenditure consequences of the overall draft plan, including debt management costs, which must be identified and fully reflected in the revenue budget proposals
- ◆ Cross referencing of capital financing costs (including capital expenditure charged to revenue) in revenue budget to capital spending plan

Capital expenditure

- ◆ A summary of all the proposed projects providing for each programme / project / directorate as appropriate*:
 - The name/title/ category/ directorate / service.
 - A brief description in non- technical jargon free language without the use of abbreviations
 - For any new programmes / projects proposed, the purpose and anticipated impact
 - Total cost
 - Previous years' expenditure (in total)
 - Projected costs for 2013-14 to 2015-16
- ◆ Proposed spending on common themes across the GLA group
- ◆ Justification for increase in capital expenditure over the years

Funding

- ◆ Funding of the capital programme by government grants, specific grants, capital receipts, borrowing, revenue contribution
- ◆ Funding of PFI/PPP Schemes and the financial implications of such funding

Risks

- ◆ Impact of changes in forecast interest / financing costs on the revenue budget
- ◆ Risks associated with funding from capital receipts and what is proposed if funding is not realised (e.g. where in year capital receipts are not as much as anticipated).

Monitoring

- ◆ A statement outlining how performance is to be monitored and evaluated
- ◆ How slippage for previous years will be managed and impact on service delivery.

*Capital spend should be aggregated up at the level used in the Mayor's CSP for 2012-13 in Feb 2012.

Appendix C – Shared Services and Collaborative Procurement

The basis of the figures for efficiency savings is information supplied by functional bodies, as follows:

- Collaborative Procurement Staffing – Total staffing costs £37.9m (FTEs 529);
- Audit – Internal Audit £8.4m (FTEs 101) and External Audit £3.1m (NB. Figures exclude LLDC and LPFA but include LDA).
- Single Property Unit – Estates Management £86.6m (FTEs 537) and Facilities Management £184.6m (FTEs 203).

The calculation of the efficiency savings set is based on all three areas being able to make a 20 per cent reduction in expenditure and staffing by 2014-15, with a 10 per cent reduction for Collaborative Procurement and Audit for 2013-14.

Appendix D – Non-Controllable Expenditure for the GLA

Set out below are items of non-controllable expenditure for the GLA which are excluded from developing savings options:

- (i) Resources: fixed premises costs for City Hall – lease, service charges and rates.
- (ii) External Affairs: fixed premises costs for the Brussels Office – lease, service charges and rates.
- (iii) Capital financing costs
- (iv) Reserves
- (v) Ring fenced specific grants, including ERDF and ESF.

Budget Timetable for the Mayor and Assembly component budgets

27 June	Mayor's Budget Guidance issued
27 June to 21 September	<ul style="list-style-type: none"> ◆ Budget preparation underway in each GLA directorate ◆ Finance to review Capital Programme resources and expenditure
20 September	<ul style="list-style-type: none"> ◆ Oversight Committee to meet to consider Assembly Secretariat savings options
21 September	<ul style="list-style-type: none"> ◆ Deadline for the Assembly Secretariat to submit its savings proposals ◆ Deadline for all GLA directorates to submit their savings proposals and for Capital Programme to be finalised
22 October	<ul style="list-style-type: none"> ◆ Initial GLA budget proposals (including Assembly Secretariat) to be considered by the Assembly's Budget and Performance Committee

Remainder of timetable as for the GLA Group at Appendix A

Savings template for the GLA (Mayor and Assembly component budgets)

Name of directorate:			
Description of saving	Type of saving*	Amount (£'000)**	Impact of saving
1.			
2.			
3.			
4.			
5.			
6.			
Total			

* Choose one from:

- (i) Staffing
- (ii) Programme
- (iii) Corporate

** The figures to be included should be for 2012-13 (if any), 2013-14 and if different the full year impact in 2014-15.

(NB. This savings template is to be used for the continuous efficiencies programme described in paragraph 12.6).