

## **Budget and Performance Committee – 10 July 2012**

### **Transcription of Agenda item 5 - The Mayor's Budget Guidance for 2013/14 and Shared Services**

**John Biggs (Chairman):** If we could start the ball rolling. I thought Mr Clarke could perhaps tell us a bit about how the budget guidance process differs this year from previously. I am not saying this purely to fill the time, but the guidance note on the face of it has a rather undetailed series of priorities, so that suggests that we are going to go through several iterations before we get there, most of which will be behind a veil. So tell us about the process and why we are here today at this stage with so little information in front of us?

**Martin Clarke (Executive Director, Resources, Greater London Authority):** This is a very similar position as happens at the start of the budget year after each mayoral election. In the first year or the first term of the last mayoralty, it was not until you really got the consultation budget that you saw the then new Mayor's outline priorities described in a way which described the way that hopefully gave an understanding of the budget. In the four years previous to that there was a position when, if my recollection is right, the previous Mayor's priorities were just his manifesto commitments at that stage. I can remember the manifesto being sent around to all the functional bodies, which raised some comments.

There has been discussion at this stage. "We have the manifesto. Do we put the manifesto into a document?" But the view is that needs, in process terms, unpacking because the manifesto talks about what is going to be delivered over a four-year period and this is a slightly different time horizon. Also, the manifesto does not cover all of the activities that the Greater London Authority (GLA) does. I have given the example of the GLA with no manifesto commitments in respect of the Museum of London, but the Museum of London must feature in the GLA budget.

So, I see the policy priorities and their time of delivery being unpacked as we go through this budget process, I would say, in the normal way as mayoral advisors, the Mayor and the functional bodies draw up their detailed plans of action over the four years. This is at this stage as much as getting the process going and setting prospective financial envelopes for people to work to. I am sure there will be numerous iterations as we go through. But the intention is, that there must be formal consultation with this body before the Mayor brings together the wider budget consultation document, so in November you should see certainly for the GLA much more detail on the priorities being delivered. The Mayor himself has to do some consultation with the functional bodies before preparing the wider consultation document and that will have to unpack the priorities and they will be developed in conjunction with officers and members.

**John Biggs (Chairman):** In terms of process, the guidance tells us that although there is a deadline of November, in November the functional bodies are expected to send effectively the finished product to the Mayor.

**Martin Clarke (Executive Director, Resources, Greater London Authority):** That has been the aspiration for the past ten years, I think. Our recent experience is that come January/February 2013 they are still trying to finalise them, particularly the policing budget. It is complicated, but as far as it can, you know, there are detailed business plans and budgets to go forward.

**John Biggs (Chairman):** OK. The reason I ask that is I am aware that obviously it will be tweaked as we get final budgets and settlements and things will alter. But, no self-respecting Mayor would allow a final budget submission to come to them in November unless they had had very detailed involvement in its drafting earlier on. So this raises a question about transparency. If the public face of the budget is, "You have a bit longer but the thing you send us has to be the final product in November", then, from an accountability point of view, that begs the question of whether there is more happening behind the scenes which is not subject to Access to Information, because it is viewed as being advice to the Mayor or something and it becomes a less transparent process. Can you reassure us that that is not the case and what information will be available to us in the interim?

**Martin Clarke (Executive Director, Resources, Greater London Authority):** There will be, in a way, a plethora of activity and information both within the GLA and within the functional bodies and processes, discussions and dialogue between now and the next public point in November. Much of that, certainly in some functional bodies, will go through their committee processes. Generally, Transport for London's (TfL) business plan will go through its Finance Committee and its Board.

**John Biggs (Chairman):** OK. I suppose I have a bit of a hobbyhorse about this but I think it is quite justified in terms of consistency and transparency, so the London Fire and Emergency Planning Authority (LFEPA), for example, is a local authority in its own right and its information will be paraded in front of its committees and discussed. TfL, on the other hand, although it is subject to slightly more rigorous disclosure requirements than previously, has a history of not being at all transparent until it finally launches its final budget on you. The Mayor's Office for Policing and Crime (MOPAC), I guess, would be accountable to the Police and Crime Committee, but again, because it is a new regime, it is not like the former Police Authority. I think it would be reasonable for this Committee to ask for consistency of transparency and for you to explain to us as the Executive Director of Resources how you are going to ensure that we have that information.

**Martin Clarke (Executive Director, Resources, Greater London Authority):** The Committee has powers to request information. You do have statutory levers. But even the organisations which--

**John Biggs (Chairman):** But, with respect, you have powers to provide it as well.

**Martin Clarke (Executive Director, Resources, Greater London Authority):** Yes. The powers in the GLA Act are quite clear. Information you require for the budget-setting process needs to be provided. In fact, the Mayor's budget guidance is issued in accordance with those powers. It is formally requested information.

But even if you take the Fire Authority as being the most transparent, all that I actually see is the proposals that will be considered by elected Members before they are submitted to the GLA. We do not see any consideration of options which will be going through their officers. You know, any organisation will be generating options. There will be discussions, probably informal discussions and there will be formal discussions. That is open to request. I do not have access to the Fire Authority options and what they will be considering now. I will get them after they have gone through their process and after a request.

**John Biggs (Chairman):** Are Members content that we move on and welcome Sir Edward Lister.

**Sir Edward Lister (Mayor's Chief of Staff):** Could I apologise to you, Chairman? I do apologise, but hopefully it was reported to you that I was also speaking at London Congress as well this morning. I am sorry. I left that room as quickly as I possibly could, but I do apologise.

**John Biggs (Chairman):** We could have rescheduled. We could have reshuffled our agenda and had the other item before you, which might have worked to mutual advantage, but we did not know about your late clash.

**Sir Edward Lister (Mayor's Chief of Staff):** Sorry, Chairman. I really genuinely do apologise to you for that because I thought you were aware of that, so I am sorry.

**John Biggs (Chairman):** I am corporately grumpy because this is an important part of the budget process and I appreciate that you cannot be in two places at once other than by severe surgical process and that would not really help us.

If I could move on to my question, then, which is a gentle opening after that ungente welcome, it is about how the budgetary decisions for 2013/2014 affect the Mayor's longer-term vision, assuming there is a longer-term vision. So, can you just talk us through the process from a political point of view and why we are where we are now with such a vague budget guidance document in front of us in terms of the priorities in it?

**Sir Edward Lister (Mayor's Chief of Staff):** Firstly, I think we have always been fairly -- at this stage in the budget process, I do not think we have ever nailed it all down and it has been a little bit like this. We do have some other work which is going on in parallel with this, which is the 2020 visioning work, which you are aware of, and that will of course --

**John Biggs (Chairman):** On 2020 visioning, I do not want to interrupt you repeatedly, but that is a process which will not reach its conclusion till early next calendar year, so possibly just at the same time as the conclusion of the budget process.

**Sir Edward Lister (Mayor's Chief of Staff):** We are, Chair, targeting to have that all finished this year, so it would certainly be out before the end of the year. Certainly, our target is for it all to be out in time for anything in there which might impact on this to be out there, so we

certainly are targeted to get it done as quickly as we possibly can and certainly before the year end.

**John Biggs (Chairman):** I am breaking my promise not to interrupt you again, but if I am the thoughtful budget team at LFEPA, for example, and I want to know what I should do to please the Mayor and he has not told me yet, when will I know what he is expecting of me other than at a very high level?

**Sir Edward Lister (Mayor's Chief of Staff):** At the moment we are asking for high-level figures. We will be coming in the early autumn with more detailed requirements to all the functional bodies and we will be setting out in that further correspondence with all the functional bodies more information. We have set out in the letter that has gone out to them the whole of the Mayor's nine-point plan. We have set out some of the things that he has already set out in the run-up to the election, which is there and that has been circulated to them. We have set out indicative numbers as to the sort of savings we believe they will have to make if we are also to achieve the Mayor's long-term target of a 10% reduction to his precept. So, those are the numbers which have been used in the forecasts to all the individual bodies for the next 12 months.

**John Biggs (Chairman):** One of the drivers in your guidance is the nine-point plan, which hit everyone's doormats repeatedly in March and April this year. On a textual analysis of this nine-point plan, about six of the points are retrospective, so they have already happened and the other three are ill-defined. Perhaps that is a slight exaggeration of the position but it does seem a rather vague set of guidance. Would you accept that?

**Sir Edward Lister (Mayor's Chief of Staff):** I would accept that as it stands at the moment, it is too vague. That is why I did make the point about 2020, because I do think that is where we are going to firm up an awful lot of our visioning for London and firm up what the Mayor sees as being his priorities. He has already given a broad-brush priority which is that he believes this mayoralty for the next four years is about jobs and growth. That is his overriding driver and that therefore talks about investment in London and about job opportunities for Londoners. But I do accept, Chairman, that that has to be spelled out in a coherent way for everybody and that is why that 2020 visioning document is so important and that is why we have to work on that to get it out. But I do also accept that further guidance has to go out early in the autumn.

**John Biggs (Chairman):** In fact, that is referred to in paragraph 5 of your guidance, which says, "The Mayor intends to send out further draft budget proposals in October 2012 to functional bodies". Can you just tell us where that belongs in this gestation of mayoral thinking?

**Sir Edward Lister (Mayor's Chief of Staff):** That work is underway at the moment. That will draw upon some of the early work which will go into the 2020 visioning. It will also set out where we think are some of the opportunities going forward. I think we have picked up - and I think you are going to be coming probably back more onto this - some of the areas where we think functional bodies do have great opportunities to provide savings for the Authority, for the Mayor, without affecting frontline services. We think there are opportunities out there.

**John Biggs (Chairman):** Two other questions before we move on, then. The first is the relationship between all of this and the London Finance Commission.

**Sir Edward Lister (Mayor's Chief of Staff):** The London Finance Commission will not report back in the timelines of this budget or - sorry - it might come to its conclusion, but its conclusion will be not before spring 2013, so there is no way that is going to be able to feed into this debate.

The London Finance Commission, though, and I think it is worth just spending a second on this, does need to be seen in conjunction with the 2020 vision. The 2020 vision is about a stocktake, about a vision, about an ask of Government. It is about all of those things coming together in one document. The London Finance Commission is very much a Barnett formula [mechanism used by the Treasury to adjust the amounts of public expenditure] type argument for London. It is why, if you do not give London its share of some of those resources, particularly capital resources for infrastructure, the tumbleweeds are going to blow through Middlesbrough and Barnsley and all those places. If you do not keep London growing, it is not going to produce the revenues which are so important for the rest of the UK. The rest of the UK's income is driven because of London business and the way London operates. An example is the New Bus, which is a driver for Northern Ireland's economy, a big one. But I am just saying that these things need to be seen side-by-side.

**Joanne McCartney (AM):** It was the comment you made about being able to make savings by looking outside. I have just had a response to my written questions to the Mayor, when I asked about whether he was planning on privatising police functions. The answer I received back is that the Mayor is willing to consider privatising police services beyond an irreducible core of duties which require the use of police powers, which is a very wide ambit of services. Are you looking at that sort of radical option?

**Sir Edward Lister (Mayor's Chief of Staff):** At the moment, the answer to your question is probably no. I think the areas we are particularly keen on looking at and where we think major benefits lie for the budget are areas and which we have touched upon at this Committee under questioning from your Chairman before. These are particularly the shared services in the area of procurement and in the areas of facilities management and property, which we do feel are areas where there is great opportunity for big savings to be achieved while at the same time not affecting frontline services in any way. It is about those sorts of core services where there is quite a lot of evidence, much of it anecdotal I accept, that big savings can be achieved just by better management and better ways of doing things.

**Joanne McCartney (AM):** I think we then come back to the perennial question as to what is frontline. If I look at what has happened to the Fire Service recently and the 999 decision to privatise the call centre, many of us would argue that that actually is a frontline service, so is something that you are looking at in the shared services ambit 999 services for police, fire and whatever?

**Sir Edward Lister (Mayor's Chief of Staff):** No, we are not. The Fire Service are obviously looking at -- they have their targets that they have to achieve and they are looking at ways in which they can make the savings that they need to meet in accordance with the requests that we have put out there for budget control. They are looking at those services. We are much more concerned, as I say, about some of those other things where we can bring services together. I think those are the areas we want to concentrate a little bit more on and where we think the opportunity does exist.

If I could just make the point, some of these opportunities are going to be timing ones. For example, facilities management (FM) contracts are led by various people at various times. It is not necessarily going to be that we can get all of those in one go. It is a thing we have to work up. For example, FM contracts, I think, for the Metropolitan Police Service do not come up until the back end of 2013 or early 2014, so we are not going to be able to touch that as an opportunity. But when that comes up, the obvious thing to do is to make sure that when we go out for FM contracts for, say, fire brigade buildings, that we link the timings together so that we do at least see if there is an opportunity. It may be, of course, that there is nothing in it for us, but at least we should try.

**John Biggs (Chairman):** OK, I will pull this back. What I should have really done at the very beginning was to start by saying that this is a pretty horrendous budget year, is it not? Whatever happens, there are some pretty tough choices ahead of you.

**Sir Edward Lister (Mayor's Chief of Staff):** I think that is fair. Yes, it is going to be difficult. It is not going to be an easy year. In fact, I do not think any year is going to be easy for the next four years, if I may say that. In the discussions we have had with the Department for Communities and Local Government (CLG) and with the Treasury, it is very clear that there is quite a cold wind blowing towards all government finance and that we have some very difficult negotiations to have for the 2015 Comprehensive Spending Review (CSR) period. We have the introduction of the national non-domestic rates (NNDR) financing arrangements in 2013 to replace formula grant.

I am sure all of those are going to become very, very difficult and I think it is important that we recognise that right from the word go and try and move on this kind of agenda as quickly as we can so that at least we have ourselves ahead of the game as far as one can ever be ahead of the game, that we have some buffer in there for the difficult times and there will be difficult times. I therefore think it is important that we move ahead as speedily as we can.

**John Biggs (Chairman):** OK. That question and your answer was a very useful warm-up to Gareth's [Bacon] question and I know other Members have indicated but I have a feeling their interventions will sit on the back of Gareth's [Bacon] questions.

**Gareth Bacon (AM):** Thank you, Chairman. For the first time, this time we actually have savings targets built into the budget guidance from the Mayor, which I think as a Member is quite interesting. Some of the numbers that are included there are very interesting. My opening question, really, is around what services it is envisaged would have to either cease or be

reduced to attain those savings? Has detailed work been done at mayoral level on that yet or is that still with the functional bodies?

**Sir Edward Lister (Mayor's Chief of Staff):** That is still going on through the functional bodies and they have to look at that. There are some quite tough targets there but we have put those numbers out there deliberately so that people have a fair idea of what they have to aim for and what they have to achieve. There will be some hard decisions and I think it is inevitable. The Mayor is going to have to make some hard decisions in due course and I think there will be some interesting discussions around this Committee in due course about the merits or otherwise of some of the proposals. But at the moment, the answer to your question is no.

**Gareth Bacon (AM):** OK. Are you able to say how those numbers are arrived at in terms of bringing budget guidance together?

**Sir Edward Lister (Mayor's Chief of Staff):** They were based upon what we perceived to be the forecasted income that we will be getting less the 10% commitment by the Mayor to make a 10% reduction to his council tax, so that is how we have come to some of those numbers, obviously projected over a four-year term.

**Gareth Bacon (AM):** The reason for that question particularly is, looking down the list of the various savings and the proportion of their income that represents, MOPAC and LFEPA, as we all know and has been discussed in other places as well, are facing a fairly stiff settlement and it is going to be difficult for a while. TfL, on the other hand, has a tiny savings target which in proportion to an enormous budget seems almost loose change. Is that a fair comment, in your view?

**Sir Edward Lister (Mayor's Chief of Staff):** Firstly, TfL has savings targets in the rest of their organisation. Do not forget we are looking at that money which would become available for the general fund and basically for the Mayor's precept. Much of TfL's finance, of course, is outside of that and is part of their business plan, but that is not to say they are not looking at further targets of savings within that organisation. On top of this, this is very much just money which will flow to the Mayor. I think we will have to take stock of that situation in 2013.

**John Biggs (Chairman):** Can I just correct you? The saving is on the entire revenue budget.

**Sir Edward Lister (Mayor's Chief of Staff):** I accept it is on the entire revenue budget but what I am saying is it is to meet the requirements of the Council Tax and the amount of money they take from Council Tax is relatively small.

**John Biggs (Chairman):** For the record, we are talking about a multi-billion pound operation.

**Gareth Bacon (AM):** One of the lines of questioning that I suspect is going to come out in the coming months is whether or not TfL might be in a position to use some of its revenue to generate larger savings there in order to be pushed across to other functional bodies to help transition from where they are now to achieving the savings they need to achieve in the long-term. In your view, is that feasible and could that be done?

**Sir Edward Lister (Mayor's Chief of Staff):** I think I would answer with two things. Firstly, TfL has already achieved very large savings, far in excess of any other functional body. They have produced the savings.

**Gareth Bacon (AM):** To interrupt temporarily, I am aware and I agree that they have. There is a sceptical line of questioning around that which is that they have plucked some low-hanging fruit and done it rather easily. Could they actually go further?

**Sir Edward Lister (Mayor's Chief of Staff):** I take the view that everybody can go a little bit further, so yes. That must be the answer to your question.

But I would also say that I think there are other budgetary issues which have to be talked about in TfL which of course are to do with their investments and their borrowings for future investment opportunities. So, I think there will be a series of other discussions which will have to come about when we look at TfL's budget. I think that is something we have to develop over the next few months.

**Gareth Bacon (AM):** To be clear, if there were a situation where TfL were asked to transfer more of their revenue away from themselves to support other functional bodies, that could have a knock-on effect on their investment programme for upgrades and whatever else going forward?

**Sir Edward Lister (Mayor's Chief of Staff):** It could have. There is quite a long shopping list of infrastructure projects which TfL would like to proceed with and indeed I believe Members and the Mayor would all wish to see them move on. So, I think one has to be very conscious about that programme of work, which is also out there. I think the trouble is what we are looking at is a budget in isolation and that is always the difficulty with the way we do things with functional bodies. We are just looking at the requirements for one particular purpose. There are other things that are needed out there and that needs to also be discussed.

**Gareth Bacon (AM):** Thank you. I imagine other Members have questions, Chair.

**John Biggs (Chairman):** Are you ruling in or out, then, future transfers of funds from TfL to other functional bodies above and beyond transport policing?

**Sir Edward Lister (Mayor's Chief of Staff):** I do not think one could ever rule anything out. What I am saying is that at this stage, if there is further monies to be obtained from TfL, I think there are other priorities in TfL which we would like to pursue rather than --

**John Biggs (Chairman):** That is primarily about protecting the capital programme?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes.

**Richard Tracey (AM):** I would just like to go back to this question of persuading the Government that London should get a more preferential share of the grant. How are you going

to manage to persuade the Government or try to? I can see massed ranks of northern Members of Parliament and indeed Midland Members of Parliament who will be saying, "No, London has had it much too good for too long". You have cited the case of the New Bus for London which indeed will, I guess, inject a lot of potential work into Northern Ireland, but I can see a few east midlands MPs saying, "What about London having Bombardier trains rather than Siemens who we are ordering trains from?" Others will say, "If you are going to have a whole new tranche of Barclays' bike hire bicycles, why do you not get them made in the UK rather than going to Canada or someplace to get them made?" Those sorts of arguments are, I am sure, going to come up, having had some experience of these characters in the past. How are you going to be able to persuade the Government that they really ought to give this preferential treatment to London?

**Sir Edward Lister (Mayor's Chief of Staff):** Sorry, this is not going to be a quick answer, I am afraid.

**John Biggs (Chairman):** As the Chairman, then, because we have quite a limited time with you, I am assuming that the key part of the answer to Richard's [Tracey] question is that this is part of the influencing process for the next spending regime rather than for this year's budget-making.

**Sir Edward Lister (Mayor's Chief of Staff):** Correct.

**John Biggs (Chairman):** If you would not find it too discourteous, Richard [Tracey], if we could park most of that question and take it at another time, we only have Sir Edward [Lister] for another 20 minutes or so. Would that be OK?

**Richard Tracey (AM):** If you like, yes. It seems to me quite key and quite critical.

**John Biggs (Chairman):** But is what I have said basically right, that it is about influencing future spending rounds and it is not going to have a big impact on this year?

**Sir Edward Lister (Mayor's Chief of Staff):** The London Finance Commission is really about the 2015 CSR. That is our target and I think we are accepting that in revenue money it is going to be very hard to get them to part with much. But what we can argue very substantially for is investment money. I think it is the investment money we are really after. That is what London needs and that is the big key for London's economy.

**Stephen Knight (Deputy Chair):** Can I ask you to unpack slightly the comment you made a moment ago about the £24 million that TfL have been asked to save, this small sum, which I think you had characterised as only part of their savings target? This was the bit that was going to contribute towards the GLA group savings. Is that right?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes.

**Stephen Knight (Deputy Chair):** Yet my understanding is that TfL receives only £6 million, effectively, which is a token amount. So does a saving of £24 million from TfL mean there is going to be a minus precept contribution from TfL in future?

**Sir Edward Lister (Mayor's Chief of Staff):** No, they cannot have a minus precept contribution. Sorry. I will rephrase this. Up until now, they have never been able to have a minus precept calculation because they needed a certain amount of the precept. I cannot remember the actual financial reasons behind this, but there is actually an argument why they cannot.

**Stephen Knight AM:** It is the VAT.

**Sir Edward Lister (Mayor's Chief of Staff):** The VAT, yes. But as of 2013 onwards, they are getting a share of the NNDR money coming to them and it is therefore part of that NNDR money that we are looking at.

**Stephen Knight (Deputy Chair):** So that would be bigger than the £6 million?

**Sir Edward Lister (Mayor's Chief of Staff):** That will be substantially bigger. That will be circa £700 million. It is of that order. That money will be coming through the NNDR formula.

**Stephen Knight (Deputy Chair):** OK. That is very helpful. I just also wanted to follow up on this. You have talked about the savings that you are looking at coming from the police and the fire budget and largely coming from doing things more efficiently, shared services and the like. You also said earlier that the Mayor's biggest priority is jobs. Presumably, given that a large proportion of the police and probably the fire budget as well are staffing costs, doing things more efficiently is going to involve fewer jobs, is it not?

**Sir Edward Lister (Mayor's Chief of Staff):** Potentially, yes.

**Stephen Knight (Deputy Chair):** Is there a conflict there with the Mayor's priority to create jobs in London?

**Sir Edward Lister (Mayor's Chief of Staff):** No, because at the end of the day we have to have a balanced budget and we are also spending a lot of our money, City Hall money, on helping people with jobs and growth. I think the jobs will have to be created by other means and in other places and that is really what we are arguing.

**Stephen Knight (Deputy Chair):** So it is shedding some jobs and creating others?

**Sir Edward Lister (Mayor's Chief of Staff):** I think it has to be that. I do not think that just to preserve jobs is a reason not to get to grips with some of the budgets in these organisations.

**John Biggs (Chairman):** Ideologically, you and the Mayor tend to the view that the public sector is a bit of an overhead rather than a provider. Is that correct?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes, that is a fair comment and I think the growth is very much, as the Government has already said it is going to be, in the private sector. I just go on and say, regardless of what we think, that that is the way the Government finances are going. Regardless of any opinions that might be held here, the fact is that the money we will have access to will be declining and therefore we have to meet those figures.

**Valerie Shawcross (AM):** Just quickly, I think we talked about measurement of efficiency last time. The thing that concerns me looking at these differential kinds of savings targets is how do you know that the efficient organisations are not having to subsidise the inefficient organisations? Where is the corporate testing of the relative efficiency of each of these organisations and the functions within them? I will go beyond that and say it is not just about the fulfilment of a service but investment planning. If TfL is undertaking an expensive piece of safety investment, is there any mechanism for testing whether or not that money would be better spent undertaking a less expensive piece of safety investment elsewhere? We might talk about countdown versus fire stations, for example. Where is the corporate analysis that underpins your understanding of the relative efficiencies of these organisations?

**Sir Edward Lister (Mayor's Chief of Staff):** Firstly, each of these functional bodies – and I think I came in while Martin was answering something very similar to this – are independent bodies with their own boards and with their own responsibilities, so it is very much down to those individual boards to make sure their organisations are operating in an efficient manner. We cannot subvert their responsibilities. For example, TfL has a board. The board is responsible. We can give guidance to that board as to how it might obtain those. For example, TfL has an organisation called Independent Investment Programme Advisory Group (IIPAG), which is looking at --

**Valerie Shawcross (AM):** That is just for the train investment which is a great idea, so why not have something like that that covers the whole GLA? There used to be an Audit Commission procedure, the management letter, etc, and even though it was flawed and sometimes we laughed at it, it nonetheless provided a test and a benchmark that was both objective and criteria-based. Where is it now?

**Sir Edward Lister (Mayor's Chief of Staff):** We do have the reports from the individual auditors of each of those bodies, which we do see. But we are in a situation where they are independent. The Mayor has the power to give direction to each of these bodies and indeed ultimately things like the budget could well be a matter of direction letters in due course. That depends how things pan out. But we are very much depending upon their boards to make sure they are operating very efficient organisations and that is their responsibility.

**Valerie Shawcross (AM):** So you are taking it on trust, really, are you not?

**Sir Edward Lister (Mayor's Chief of Staff):** I think that is how the legislation has given it to us.

**John Biggs (Chairman):** It is a fair summation, then, that everyone is praising the IIPAG but it only exists because Government required it to be created as part of a funding settlement and we

have never created similar checks and balances or outside expert opinions to verify the reasonableness of our expenditure in any other area of the GLA's work.

**Sir Edward Lister (Mayor's Chief of Staff):** No, I will qualify that slightly. We also established the Investment Performance Board (IPB) here in the GLA which looks very closely at all the budgetary issues which come out of this building. It also looks at those budgetary items which are the Mayor's responsibility rather than the functional boards' responsibility. Fares is a good example. That will now have to be looked at very carefully by the IPB because that is our method of challenge.

**Valerie Shawcross (AM):** I can tell you just from years of hanging around the GLA that one has a sense that the procurement in the fire brigade is a massively more efficient process than in the police service, for example. I know it has been getting better. This leads into the shared service agenda. So, if the Mayor is making financial allocations from the council tax, how is it possible for him not to want to test the efficiency of major expenditure processes across the board? If he is making judgments about how much money they should get, surely there should be a procedure and technology around testing the efficiency of the expenditure.

**Sir Edward Lister (Mayor's Chief of Staff):** I think the one I have just set out with the Investment Performance Board, which does operate across ...

**Valerie Shawcross (AM):** I have seen your agendas and I would not say that it looked anything like a rigorous, methodical, audit efficiency process. One welcomes its creation.

**Sir Edward Lister (Mayor's Chief of Staff):** I think it is fairly robust. There are certainly very unhappy people at times. If that is a measure of robustness, certainly that does take place. But you are right. We have to live in the world we are in with these individual boards and we have to work through them. I do accept the point you make that anecdotally some areas look more efficient than others, which is why we have fought so hard on the shared services agenda. I suspect that is why it has often been resisted so vigorously by so many parties. That is why we are now honing in on specific areas where we think the greatest opportunities lie within the organisation, which as I say is property and procurement. I think it will probably start to show, if you are correct and I think you are, where the really efficient buying operations exist and where the really efficient property management exists.

**John Biggs (Chairman):** I think I have one housekeeping thing to share which is just to push you and I think we could write to you offline about these efficiency issues which Val [Shawcross] has explored, as well because I think that might be useful in terms of improving your performance as well as improving our scrutiny, to be able to answer forensically those questions in our always-helpful role.

But the question is about TfL's savings again. It just does not seem particularly sensible at a time of these enormous budget pressures that we are expecting LFEPA to make savings of roughly 7% in the budget guidance, MOPAC 5.7% and TfL only 0.4%. Even if one accepts the argument that within TfL any savings need to be recycled to be protecting the capital programme, for example, it is still the case that that seems a very inequitable allocation unless

you are saying that TfL has made such massive efficiencies in the past that the cupboard is now bare and they cannot do any more. I do not think you are saying that. I think the record can show that the Committee is united in this view that it does seem a rather unequal allocation of burdens across the functional bodies.

**Sir Edward Lister (Mayor's Chief of Staff):** I am very happy to come back on that to you, if I may. But what I would say is that, I know the Mayor's wishes would be, if there were further monies that could be obtained from TfL, he would want to see some of the capital projects moving forward. It would be his priority to see that actually happening.

**John Biggs (Chairman):** But you might do that, for example, by in the guidance saying, "You need to find another 4% of efficiencies in your operating costs in order to protect the capital programme". I am not saying that is the answer but one would have expected something like that.

**Valerie Shawcross (AM):** Chair, just a reminder that Stephen Critchley [Chief Financial Officer, TfL] did talk about there being a significant amount of potential surplus arriving later this year. When asked to put zeros on it, I think he said about £100 million or more.

**John Biggs (Chairman):** I think we will take this offline because we have to move on. Stephen has the next question.

**Stephen Knight (Deputy Chair):** I really want to explore the strategic funding decision side of all of this. Clearly, you said that the Mayor does not really have many levers in terms of the income coming into these bodies, but of course that is not entirely true, is it? In terms of TfL the Mayor sets the fares decision and in terms of the other functional bodies he sets the precept. Again, we seem to see this sort of disparity. On one hand, TfL's income from the fare pot seems to be going up at the Retail Price Index (RPI) plus 2%. The precept is due to come down by 10% over the course of the administration.

Does this not lead to a structural imbalance in the group budget in the sense that those organisations like police and fire that rely on precept income are being hit disproportionately hard compared with TfL and transport? Is there not an inconsistency of approach between, on one hand, hitting Londoners over fares and not hitting them over precept increases?

**Sir Edward Lister (Mayor's Chief of Staff):** No decision has yet been made about fares. That is still a debate that has to be held. The Mayor has made no decision on that. That is a decision that he will be taking in the autumn and it will be coming to the IPB and there will be a debate at the IPB and I imagine it will be coming to various committees here as well.

The trouble is what we are dealing with is one part of a budget process. We are dealing today just with the savings we need to achieve for the precept. I think there are separate debates about the farebox, how much the farebox should be, whether it should be RPI plus 2% or not. That also relates to what the Government is going to decide on the fare levels, so that has to be taken in isolation to this. Of course, by the time we come to the conclusion of the budget

process, all these different strands will be coming together and there will be a coherent story. But at the moment we are concentrating on one particular area.

**Stephen Knight (Deputy Chair):** I am asking you, I suppose, to give a more strategic answer about the decision to reduce the precept by 10%. That clearly has an impact on some bodies and not on others. We have a very different direction of travel on the income on fares. How does the Mayor justify on one hand allowing income from fares to go up above inflation and on the other having real-term cuts in the precept and in cash terms cuts in the precept? What is the justification for one and not the other?

**Sir Edward Lister (Mayor's Chief of Staff):** The answer to your question is that that will have to come out when he makes the decisions about the farebox and that is not a decision which is on the table today. That is something which we will be coming to in the autumn. The Mayor has made it clear he is going to bear down on all costs and he has made that very clear.

**Stephen Knight (Deputy Chair):** But the consequences of the decisions are before us here in these savings targets because a good proportion of these savings targets are a consequence of the precept being frozen and indeed being reduced. I am asking you, if you like, to justify that in the context of other decisions around fares.

**Sir Edward Lister (Mayor's Chief of Staff):** The trouble is I cannot answer your question because the fares decision is a decision which is not yet on the table to be made. That is the decision which takes place in the latter part of the year.

**Stephen Knight (Deputy Chair):** But I think you would accept that we are not expecting fares to fall by 10% over the course of the mayoralty.

**Sir Edward Lister (Mayor's Chief of Staff):** I think the Mayor would love that to be the case, but it is highly unlikely if we are to achieve the investment programme. That is where that debate has to take place: at the level of the investment programme which we have in TfL.

**Stephen Knight (Deputy Chair):** But do you not see that we have a disparity here? On one hand we have to protect TfL's investment programme. We cannot make savings there because of the impact on services. Yet it is almost a given that police and fire have to make these savings no matter what the impact is on services and investment. It is a disparity of approach and I just wondered if you could comment a bit on why it is that one part of the group is being treated very differently from other parts of the group.

**Sir Edward Lister (Mayor's Chief of Staff):** Sorry, I am slightly repeating myself. We are not treating it separately. We are dealing with different parts of a budgetary process in isolation. Today, we are dealing with the precept. The Mayor will be dealing with the fare policy issue in the autumn. It is only probably when you bring these items together towards the tail end of the year that you get the kind of coherent picture that you are looking at and you will be able to see what the relevant merits are or otherwise of the different decisions.

**Stephen Knight (Deputy Chair):** Perhaps I can put it a different way, then. How sacrosanct is the Mayor's view on precepts over the next few years? Are there any circumstances in which the precept could go up?

**Sir Edward Lister (Mayor's Chief of Staff):** He has made a commitment to a 10% cut. I am sure there are always reasons why other decisions could be taken if it was in the interests of London, but at the moment the issue is that we are heading for that 10% saving which we need to achieve in order to meet what we see as both the 10% cut and the future income and revenues we will get from the NNDR process.

**Stephen Knight (Deputy Chair):** Are there any impacts on services that would lead the Mayor to reconsider that? If it led to fire station closures and big police cuts in terms of frontline staff, but if that turned out to be the only way of achieving these savings, would the Mayor reconsider the precept decision?

**Sir Edward Lister (Mayor's Chief of Staff):** As I say, every decision has to be taken in the light of the circumstances of the time and so everything has to be looked at on that basis. But I just make the point, for example, for the police service, the Mayor successfully negotiated an additional £90 million into the police revenue account, so there are other sources of money coming in. If I may make a point about these savings which we have on the table at the moment, these savings are at levels in general terms which those functional bodies are expecting. These are not surprises to them. The Metropolitan Police Service knew that the savings this year would be about this sort of level and likewise the Fire Service. They are not surprises to them.

**John Biggs (Chairman):** Can I just tidy up a couple of things? Joanne McCartney first.

**Joanne McCartney (AM):** Of course, with regard to the police, we have a Her Majesty's Inspectorate of Constabulary (HMIC) report out that shows that of the budget savings the Metropolitan Police Service have to make, a third of it is as yet unplanned. They see that as providing a real risk to the future and they will not be able to provide an efficient and effective service to the public, so we think the scale of the order that is before the Metropolitan Police Service is actually very worrying.

**Sir Edward Lister (Mayor's Chief of Staff):** I guess I should be slightly rude about colleagues here. The Metropolitan Police Service savings figure of this coming year of about £150 million were telegraphed last year, so it has been known about for a very long time. If the Metropolitan Police Service chooses not to pay any attention to it, then I am sorry if it does come as a surprise but it is not a surprise as far as we are concerned. Those figures have been telegraphed a long time ago and the Mayor has worked very hard to help them with their budgets and bring in extra money. But he is adamant that he is looking towards these savings being achieved and I think it is very important – he is looking at preserving police numbers at circa 32,000 or just under, which is the number he has been consistently arguing for and he has helped them to preserve that number.

**John Biggs (Chairman):** I think you are right that the HMIC did not reveal any surprises. The figures were all out there. What was newsworthy about it was that the Metropolitan Police Service nevertheless has to make plans for such enormous levels of savings and that would become clearer in the autumn. I have two tidying-up things.

One was that clearly, going back to gnawing on this bone about TfL savings, a higher TfL savings target would facilitate legroom for a lower fares increase, of course, and I think we can just observe that. I think that is a matter of fact. If you could, then it would make it easier.

The second one was something that has become a lot clearer in this meeting and people observing this who are not equated with these meetings perhaps do not notice these things. But something that has become a lot clearer is about the NNDR, so the Government is handing back to local authority an element of the NNDR. What seems to be the case is that that provides greater flexibility or wriggle room, depending how you want to look at it, for any mayor who will get this bucket of money notionally allocated to TfL, to the Fire Service and to the core GLA and the extent to which those funds are allocated to those different bodies will provide an ability to redistribute funds between the different bits of the GLA family. I think that is a very useful observation from today's meeting and perhaps we can write to you offline about the rules you might want to follow on that, but that is broadly the case. Is that right?

**Sir Edward Lister (Mayor's Chief of Staff):** That is correct. I would say that the Mayor has been in correspondence with the Department of Transport and with CLG and please accept that this whole NNDR argument is still being worked through in negotiations. But there is an expectation by Government that the transport portion will remain the transport portion, so I think it is --

**John Biggs (Chairman):** In its entirety?

**Sir Edward Lister (Mayor's Chief of Staff):** In its entirety. So, if it is money moved across from transport into other areas, I think it will have to be with a lot of justification and I suspect with a lot of discussions with other parties. Having said what I have just said, of course, as I know Val [Shawcross] will quickly remind me, there is already part of the police force paid for by TfL, for example, so there are ways of juggling some of these monies around, so I do accept that as a point.

**John Biggs (Chairman):** OK. If we can move on, then, to the totally uncontentious area of shared services with Roger Evans.

**Roger Evans (AM):** Obviously, Sir Edward, this is an issue in which this Committee has a longstanding interest and a number of promises were made during the last mayoral term which were achieved to varying degrees. Can you just update us on the Mayor's approach to shared services in his second term?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes. If I may make a quick comment about the first term, there were targets set. I think we accept fully that we did not get as much out of shared services as we would have wished. There is an enormous opportunity there. There was

considerable resistance to it - and I do not mind saying that - by everybody. I think in this term a number of things have taken place.

Firstly, we have the opportunities which occur through reorganisations and changes in the different bodies. We have the opportunities in the appointment letters to chief executives and to chairmen of bodies. The shared services agenda has been spelled out to them, so there is no doubt in anybody's mind as to what is expected, so it is not a surprise, even though I would suggest it was not a surprise in the first term but some people managed to make it a surprise. We have also concentrated on the shared services areas where we believe the greatest opportunity lies and we have a fair idea when the opportunities will occur in those areas, which is procurement, property management and the asset base that we have out there. That is how we have set some of those targets and we will be driving that forward. So it is very much focused this time into specific areas.

That is not to say - and it is important I make this point - that we will not take the opportunistic shared services savings that come along on the way, either because of a resignation or somebody leaving the organisation which makes a shared service option one that we would want to follow through, or because of some other factor at work out there, for example the GLA Secretariat is now the secretariat for all the functional bodies with the exception of one and I think we will have that one fairly soon into that pot. So it is moving ahead, but it is moving ahead at different paces in different areas. We are concentrating on two key areas.

**Roger Evans (AM):** It is disappointing that the functional bodies express surprise at our desire for shared services savings, not least because it has not just been a feature of the last four years. It has been something which Members of the Assembly have wanted to see achieved, really right from the inception of this organisation, because of the opportunity offered by bringing together different groups under one umbrella. They just have not really got the idea, still. What do you think is the reason behind the resistance to this agenda and how do you set about changing that?

**Sir Edward Lister (Mayor's Chief of Staff):** I think it is this argument that some people believe very firmly that direct control is the only way you can manage a service, rather than accepting that with some of these things you can be a client for that service, you do not need direct control and you can still get everything you desire from it. I think that has been shown to work. If I may blow the trumpet, for example, the GLA Secretariat has shown that. In a very small, little area, they have shown that you do not lose anything by it but you save money. I think it is that message that we just have to get through that this belief by so many managers that you actually have to manage the thing yourself to make it work efficiently is just ridiculous in the 21st century. You need to manage your core functions, of course, and then you should rely on other people to provide the other services. If they do not provide them, then you do something about it. But you should be as managers concentrating on your core function. So, if you are the police, your concern is crime. Stop worrying about the pay and rations. If you are the fire service, your job is to fight fires, not worry about whether the fire station is maintained properly. Somebody else can do that for you.

**Roger Evans (AM):** Is that an indication of a lack of focus, perhaps, in some of those organisations? When you are buying in a service from someone else or you are just getting a different organisation to provide it, you need to specify that service and so you need to be clear about what you want from that organisation, whereas when you have an internal organisation, perhaps you are never very clear about what you want from it.

**Sir Edward Lister (Mayor's Chief of Staff):** I think that is very fair and that was the whole argument which emerged in years gone by and is still true today with competitive tendering. The greatest benefit you ever get out of a competitive tendering exercise has always been writing the tender because you actually are forced to put your mind into what it is you actually want, so often, and then of course the empowered service can win that service simply because you have focused it. But while you just go on as you are ... I mean, if you always do what you have always done, you will always get what you always have got. I think that saying is absolutely true.

**Roger Evans (AM):** It is worth reminding ourselves of that. So, can I ask you perhaps to consider something more ambitious, which would be maybe sharing some services with organisations outside the GLA family, possibly London boroughs, possibly over the boundary into areas outside London? I know it is virtually like the Iron Curtain, the London boundary, but we might want to make that a bit permeable and realise some savings by working with organisations outside it.

**Sir Edward Lister (Mayor's Chief of Staff):** I accept that argument completely and you certainly will not find me resistant to that. I think it is about where you get the best value for money and you also get a quality service. I think the two things go together. If you can do it by some other means, then that is great. But of course you cannot look at some of that until you actually have a grip on some of your own ones. This has been the issue in TfL with Project Horizon. The biggest difficulty TfL has always had is they have never been one organisation. They are basically four or five organisations and those bits have to be pulled together before you can even look at merging some of them with other parties. It is that kind of work which has to go on.

**Roger Evans (AM):** With London Travel Watch, our own organisation, do you think there are some opportunities for us to share services there and reduce a budget of £1.2 million?

**Sir Edward Lister (Mayor's Chief of Staff):** I think that is an issue, actually, if you will excuse me saying so, for the Assembly. It is a GLA function.

**Roger Evans (AM):** I am always happy to hear your advice.

**Sir Edward Lister (Mayor's Chief of Staff):** I would never dream of treading on toes!

**Roger Evans (AM):** No. Thank you.

**John Biggs (Chairman):** I think the record will show - I keep saying that - that at City Hall our record of savings for shared services has been a bit of a graveyard, really. So who is in charge now? The previous mayoral advisor has gone.

**Sir Edward Lister (Mayor's Chief of Staff):** I am afraid it now falls to me to take this through.

**John Biggs (Chairman):** So you are now our guru for shared services?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes. I do accept it has been a graveyard of mayoral advisors as well and I do not intend to be joining them in that particular cemetery.

**John Biggs (Chairman):** It is almost one for executive directors of finance as well. I know Martin Clarke [Executive Director - Resources, GLA] found it equally difficult getting through change.

**Sir Edward Lister (Mayor's Chief of Staff):** Chair, I would just like to re-emphasise the job offers and when they were actually placed by the Mayor on each of the functional chairmen, this whole shared services agenda was spelled out, so it is part of their performance requirements. Every time they have meetings with the Mayor, they are, because I am making sure of it, being asked about their progress in this area.

**John Biggs (Chairman):** So are you clear about what your targets are, though? In the Mayor's budget guidance, you talk about £600 million in cumulative savings by the end of 2015/2016. Yes?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes.

**John Biggs (Chairman):** Yet when I as Chair wrote to the Mayor - and I imagine you played a role in drafting the reply - asking for a clarification of the cost-cutting requirements or commitments, he came back saying that it was £600 million recurring annual savings by May 2016. Both of those cannot be true at the same time, I think, so would you be happy to clarify what your target is?

**Sir Edward Lister (Mayor's Chief of Staff):** Our target is very much £200 million a year for the next three years, which is what we have set out. But they are recurring. What I am trying to say there is that they are recurring numbers.

**John Biggs (Chairman):** So when the Mayor wrote to me, he was out by an order of three? He said it was £600 million annual savings recurring when in fact it is £200 million and then another £200 million and then another £200 million, just to be clear.

**Sir Edward Lister (Mayor's Chief of Staff):** It is £200 million each year that we are looking for.

**John Biggs (Chairman):** And then another £200 million on top of that?

**Sir Edward Lister (Mayor's Chief of Staff):** Yes.

**John Biggs (Chairman):** OK. I think we might need to write to you again.

**Sir Edward Lister (Mayor's Chief of Staff):** Sorry, over four years, I should have said.

**John Biggs (Chairman):** What is the difference? It is only £150 million. Can we thank you very much, unless there are other burning questions, for your evidence? We might follow it up with a few written requests for further clarity.

**Sir Edward Lister (Mayor's Chief of Staff):** May I, Chairman, just repeat my apologies for lateness? I do apologise. I thought everybody knew about the lateness and, if it did not reach you, then there is a fault outside of my control.

**John Biggs (Chairman):** Thank you very much and I do accept your apologies and thank you.