

MAYOR OF LONDON

GLA Group Efficiency Plans 2016-17 to 2019-20

October 2016

Greater London Authority Group Efficiency Plans 2016-17 to 2019-20

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1. Introduction

- 1.1. The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions. The GLA's five functional bodies are its principal delivery arms: the Mayor's Office for Policing and Crime (MOPAC; overseeing the work of the Metropolitan Police Service - MPS); the London Fire and Emergency Planning Authority (LFEPA); Transport for London (TfL); the London Legacy Development Corporation (LLDC) and the new Old Oak Common and Park Royal Development Corporation (OPDC) which was established in April 2015.
- 1.2. In March 2016 the Secretary of State for Communities and Local Government invited local authorities to publish locally owned and locally driven four year efficiency plans. The commitment from the Secretary of State was that local authorities submitting such plans would receive the minimum four year funding allocations set out in the Local Government Finance Settlement published in February 2016, including the top-up and tariff payments relating to the current business rates retention system. The Mayor welcomes this greater certainty offered by the Government as it provides a better platform for medium term planning and opportunities for further efficiencies.
- 1.3. This document summarises the GLA Group Efficiency Plans for the four year period 2016-17 to 2019-20. The individual efficiency plans can be found under Appendices B to E of this document and they have also been published as appropriate on each respective functional body's website. Some context to these plans is provided below and cross-Group issues are also described.

2. Context for GLA Group efficiency plans

- 2.1. The Mayor of London, Sadiq Khan, was elected in May 2016 and as a result the GLA Group business plans and expenditure plans are being reconfigured to the Mayor's priorities. Revised savings and efficiencies programmes for each will emerge as a result and will be reflected in the Mayor's 2017-18 Consultation Budget published in December.
 - 2.2. The data in the GLA plan (including LLDC and OPDC) is based on savings and efficiencies set out in the 2016-17 Mayor's budget. LFEPA and MOPAC's efficiency plans update the figures in the 2016-17 Mayor's Budget with the latest medium term financial plans. For TfL, the data is based on its 2016-17 Budget and Business Plan published in March 2016. All of the plans will be developed as part of the ongoing budget setting process and once the Mayor's 2017-18 Budget is agreed, a revised Efficiency Plan for the GLA Group will be published.
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3. Summary of GLA Group Efficiency Plans

- 3.1. With the exception of LLDC and OPDC, each functional body prepares its own efficiency plan. LLDC's efficiency plan is included within the GLA's plan as it is funded from the GLA's resource allocation within the Local Government Finance Settlement. The OPDC is also funded via GLA allocated resources and because the resources allocated to the body are currently under review and its budget is relatively small it has no separate efficiency plan.
- 3.2. Below is a summary of the annual incremental savings and efficiencies for each functional body.

Total savings and efficiencies £m	2016-17	2017-18	2018-19	2019-20	Total
GLA and LLDC	10.7	4.4	4.2	3.4	22.6
MOPAC ²	127.0	91.0	68.0	105.0	391.0
LFEPA	11.5	1.3	2.8	13.6	29.2
TfL ¹	250.0	475.0	624.0	669.0	2,018.0
Total savings and efficiencies	399.2	571.7	699.0	791.0	2,460.8

Notes:

1. TfL figures are operational savings and efficiencies. TfL's 2016-17 Budget and Business also included capital programme efficiencies, details of which can be found in the TfL Plan set out under Appendix D.

4. Scrutiny of savings and efficiencies programmes across the GLA Group

- 4.1. The Mayor, in his Budget Guidance, sets out how the budget process drives efficiencies across the Group. The savings and efficiencies of each functional body go through a rigorous scrutiny and governance process: each has its own internal process for putting forward, considering and recommending the various proposals to the Mayor. The headline savings and efficiencies proposed are then included in the Mayor's GLA Group Consultation Budget published in December.
- 4.2. The Consultation Budget is published for consultation with the functional bodies and London Assembly as well as any external stakeholders who may wish to comment such as business representative organisations, the London Boroughs and individual Londoners. The budget setting process that formally starts with the publishing of the consultation budget in December and ends with the publishing of the final agreed GLA Group revenue budget in the March is subject to the scrutiny of the London Assembly which includes the opportunity for the Assembly to put forward alternative budget plans.

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- 4.3. Set out at Appendix A is a summary of the overall GLA Group revenue budget including details on council tax, Revenue Support Grant and business rates funding.

5. Collaboration across the GLA Group

- 5.1. There are a number of collaborative programmes cutting across the GLA Group through which the functional bodies work to achieve greater savings and efficiencies. These include – amongst others - a collaborative procurement programme; shared services such as treasury management, audit and financial services; and shared location arrangements. A summary of some of the key collaborative schemes are set out in the GLA's efficiency plan.
- 5.2. As well as collaboration across the group there are programmes with external organisations which are designed to drive savings and efficiencies for the functional bodies and their partners. A summary of some of these collaborations are set out in the individual efficiency plans.

6. Devolution and GLA Group Efficiency Plans

- 6.1. The Mayor is working with the functional bodies, the London Boroughs, London Councils and other stakeholders to develop London devolution proposals to put to Government. An ambitious plan is being developed to further London's self-governance and devolution asks in order to promote jobs, growth and greater equality across the capital. This is alongside the detailed work ongoing on the Government's policy to devolve 100% of business rates to local government in England by 2019-20.
- 6.2. In August the Mayor reconvened the London Finance Commission and tasked it with delivering a 'beefed up set of devolution proposals' for fiscal devolution. The original commission ran from July 2012 to April 2013 and proposed a set of reforms that included devolving the full suite of property taxes to London (including the power to set rates, bands and discounts). The current Commission is due to report its findings in the autumn and these will be considered by the Mayor before being put to the Government as appropriate.
- 6.3. Greater devolution to London will encourage collaborative working between the various bodies of London government and other key stakeholders. This in turn is expected to open up new opportunities for savings and efficiencies that will deliver more for Londoners.
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7. Conclusion

- 7.1. The Mayor of London is committed to a robust and transparent savings and efficiencies programme for each functional body of the GLA Group. This is reflected in the current ongoing resource reviews and the 2017-18 budget setting programmes, designed to ensure that his Mayoral priorities are met and to ensure value for money for Londoners.
 - 7.2. GLA Group plans for savings and efficiencies will develop as these processes are completed and will be held to scrutiny by the Mayor and the London Assembly as well as through each functional body's internal governance processes.
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Annex A - Summary of GLA Group Expenditure and Funding Assumptions for Revenue Sources over which Mayor has Direct Control

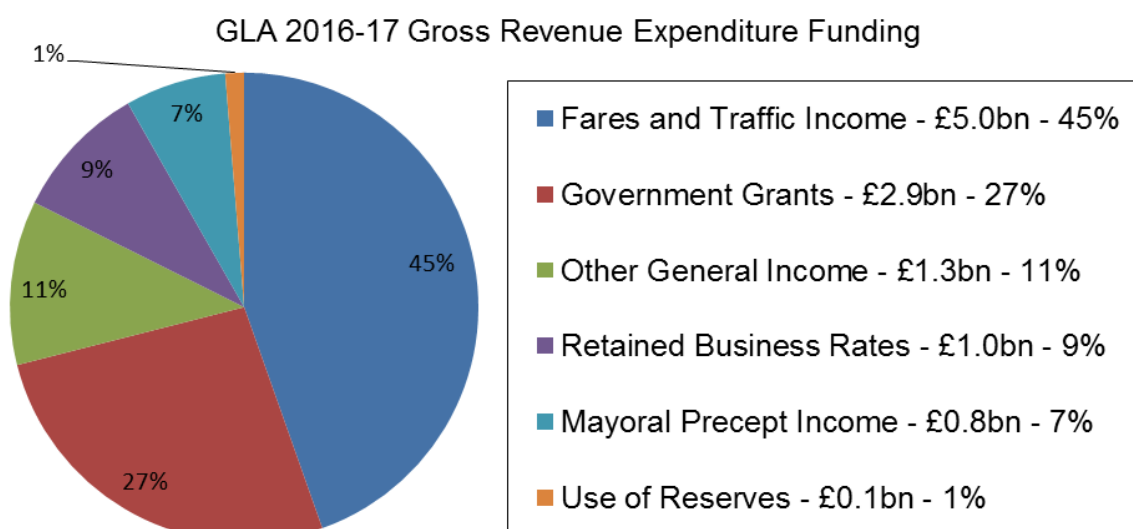
In order to provide context to the published efficiency data included below is a summary of the gross revenue expenditure for each functional body as set out in the 2016-17 Mayor's budget.

Total gross expenditure ¹ £m	2016-17		
	Revenue	Capital	Total
GLA: Mayor and Assembly ²	429	812	1,241
MOPAC	3,264	265	3,528
LFEPAC	425	59	484
TfL ³	6,964	3,581	10,545
LLDC	41	107	147
OPDC	12	0	12
Total Spending (GLA Services)	11,134	4,824	15,958

Notes:

1. Figures are the gross expenditure for statutory purposes and do not adjust for intra group transfers described in note 2 below.
2. GLA revenue expenditure includes funding applied to support LLDC of £29m and OPDC of £11.5m.
3. TfL gross revenue expenditure is net of the £240 million reduction in its general operating grant. This does not necessarily imply that revenue expenditure reductions will be made. TfL figures are those from the 2016-17 Mayor's Budget and differ from the updated figures set out in TfL's 2016-17 Budget and Business Plan.

Funding sources for revenue expenditure in 2016-17 are set out in the chart below.



Capital funding comes from a combination of capital grants, capital receipts, prudential borrowing and other credit arrangements and revenue contributions.

Business rates, Revenue Support Grant and council tax

Set out below are the settlement funding assumptions for the GLA Group based on the 2016-17 Local Government Finance Settlement, as set out in the 2016-17 Mayor's GLA Group Budget. 2015-16 is included for comparison. The Mayor has direct control over how these revenue sources are allocated to the functional bodies to fund services.

The table below also includes figures for business rates income receivable in excess of the Government set Baseline Funding Level. 2015-16 is based on draft outturn data from the billing authorities. 2016-17 outturn data is not available and so the forecast in the table below is subject to change. At the end of 2014-15, after two-years of the retained business rates system, the GLA had a total deficit of £106.1 million on business rates income compared to its Baseline Funding Level.

Funding assumptions £m	2015-16	2016-17	2017-18	2018-19	2019-20
Business Rates Baseline Funding	980.3	988.4	1,007.9	1,037.6	1,070.8
RSG	173.7	168.1	148.5	136.5	127.9
Settlement Funding Total	1,154.0	1,156.6	1,156.4	1,174.1	1,198.6
Additional business rates income compared to Baseline Funding based on billing authorities' data returns ¹	30.5	49.1	-	-	-

Notes:

1. This is net of the GLA's tariff payment and forecast levy payment to Government. The 2015-16 amount is based on the draft outturn figures from the London billing authorities. 2016-17 is based on the billing authorities' forecasts made in January 2017.

The council tax assumptions from the Mayor's 2016-17 budget are set out below. There are two band D council tax amounts because the Metropolitan Police District does not include the City of London which has its own police force. The unadjusted basic amount of council tax excludes the element for the Metropolitan Police District and is the precept payable by taxpayers in the City of London (i.e. the area of the Common Council). The adjusted basic amount of Council Tax includes the element for the Metropolitan Police District and is the precept payable by taxpayers in the 32 London boroughs.

Council Tax	2015-16	2016-17	2017-18	2018-19	2019-20
Band D Council Tax for Police Services (£)	£208.87	£202.11	£200.76	£199.40	£197.88
'Unadjusted' Band D Council Tax for Other Services (£)	£86.13	£73.89	£75.24	£76.60	£78.12
'Adjusted' Band D Council Tax (£)	£295.00	£276.00	£276.00	£276.00	£276.00
Yearly Council Tax Precept Change (£)	-	-£19.00	£0.00	£0.00	£0.00
Actual / F'cst Total Council Tax Income (£m)	800.7	774.3	782.1	789.9	797.8

Annex A – Summary of GLA Group Expenditure and Funding Assumptions

The actual and forecast collection fund deficits for council tax and business rates are set out in the table below. These amounts are received from or paid to the billing authorities based on their collection fund forecasts at the start of the year. The figures for 2015-16 and 2016-17 are those used in the Mayor's 2016-17 budget although the 2017-18 business rates collection fund deficit forecast has been updated to reflect the 2015-16 draft outturn data that is now available. The figures for 2017-18 onwards, for both business rates and council tax, will be updated once the billing authorities' collection fund forecasts are received in January 2017.

Collection Fund Deficits and Surpluses £m	2015-16	2016-17	2017-18	2018-19	2019-20
GLA's share of business rates collection fund deficit repaid to billing authorities	-25.6	-78.7	-29.7	-	-
GLA's share of council tax collection fund surpluses received from billing authorities	31.0	32.4	-	-	-
Net collection fund surplus / (deficit)	5.4	-46.3	-29.7	-	-

Greater London Authority Efficiency Plan 2016-17 to 2019-20

October 2016

Introduction

- 1.1. The Greater London Authority (GLA) is the strategic authority for London and supports the Mayor and the London Assembly in delivering their respective responsibilities and functions.
- 1.2. This document sets out the four year efficiency plan for the GLA. It includes the efficiency plans relating to the London Legacy Development Corporation (LLDC) as it is funded from the GLA's resource allocation within the Local Government Finance Settlement. The Old Oak and Park Royal Development Corporation (OPDC) is also funded via GLA allocated resources and because the resources allocated to the body are currently under review and its budget is relatively small it has no separate efficiency plan.

2. Context to the Efficiency Plan

- 2.1. The Mayor of London, Sadiq Khan, was elected in May 2016 and as a result programmes and projects are being progressively reviewed in order to ensure they deliver the Mayor's priorities. These will be reflected in the Mayor's 2017-18 Budget. Given these ongoing processes, the plans set out here build on the 2016-17 Mayor's budget with some updated efficiencies assumptions for the GLA.
- 2.2. A review of the strategic direction and work programme of Old Oak and Park Royal Development Corporation is currently taking place to examine, amongst other things, the funding required for infrastructure and to make recommendations.
- 2.3. Revised savings and efficiencies programmes for the GLA and LLDC will emerge and will be reflected in the Mayor's 2017-18 Consultation Budget published in December.

3. Benefits of the Efficiency Plan

- 3.1. Publishing this efficiency plan will bring a number of benefits for the GLA and LLDC including:
 - benefitting budget setting over the four year period;
 - providing clarity and transparency around the savings and efficiencies to be achieved over the four year period; and
 - aiding public understanding of the savings and efficiencies programmes at the GLA and LLDC.
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4. Savings and efficiencies plan

- 4.1. The table below sets out the annual incremental savings for the GLA and LLDC for the four year-period:

Savings and Efficiencies £m	2016-17	2017-18	2018-19	2019-20
Savings	4.3	2.5	2.3	1.2
Efficiencies	6.4	1.9	1.9	2.2
Total savings and efficiencies	10.7	4.4	4.2	3.4

- 4.2. The plan delivers savings and efficiencies in a number of areas and further details of some of the key programmes are set out below.

5. LLDC savings

- 5.1. LLDC's financial plans and its savings and efficiencies programme support its objectives of delivering new neighbourhoods and building thriving communities, embedding higher education, innovation, enterprise, arts and culture at the heart of the Park, creating job opportunities, and working in partnership to regenerate the areas surrounding the Park.
- 5.2. LLDC's savings and efficiencies plan includes savings and efficiencies in relation to the opening and operations of the Queen Elizabeth Olympic Park; utilities; insurance; and contract management efficiencies. The plan also includes programmes to increase levels of income for LLDC.

6. GLA, LLDC and GLA Group shared services

- 6.1. There are a number of shared service arrangements across the GLA Group. Some key arrangements for the GLA, LLDC, OPDC and other members of the GLA Group include shared back office functions such as HR, IT, audit and legal services (different combinations of the GLA Group bodies share in the arrangements depending on each body's operational requirements). A number of the functional bodies also share committee services (providing a full clerking service for the various boards and committees) in order to maximise efficiencies. Opportunities are being explored by the GLA to share IT infrastructure and services with other parts of London Government across a common cloud based infrastructure.
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7. GLA Group Investment Syndicate

- 7.1. The GLA has established a Group Investment Syndicate (GIS) across the whole of the GLA Group (excluding TfL but including the London Pensions Fund Authority). The GIS makes collective decisions on the Group's c£2bn of investments and c£4bn of borrowings. The GIS has been able to generate significant additional income from investments, without undertaking greater risk, and optimise borrowing decisions across the Group through economies of scale. It also provides a more resilient function for the Group, than was available individually. The GIS platform is being developed to enable other parts of London government to enjoy these benefits.

8. GLA Group collaborative procurement

- 8.1. The GLA Group Collaborative Procurement Team was established in April 2015 to manage the common and low complexity procurement expenditure for the GLA and LLDC and each of the functional bodies and the Metropolitan Police Service (MPS). In its first year of operation the function achieved gross cashable savings of £5.2 million and gross efficiency savings of £0.5 million for the GLA Group across a range of categories including recruitment, consultancy, financial services and office supplies and equipment. The total net savings for the GLA Group, after deducting the annual operational costs of the function, were £3.2 million. The function is governed by the GLA Collaborative Procurement Board whose duties include exploring opportunities for further collaboration across more complex areas of expenditure with a view to increasing the level of savings achieved.

9. Using technology to improve efficiency

- 9.1. The GLA is using technology to deliver innovation, collaboration and value for money as well as supporting the work of the Mayor of London, London Assembly and GLA. There are a number of technology infrastructure programmes at the GLA; some of the key elements include the introduction of a scalable, cloud-based infrastructure to deal with growth in data and to ensure that up-to-date office systems are in place with improved support for collaboration and mobile working. Another is the use of open source IT tools that has brought further efficiencies for the GLA and has also crucially removed the restrictions associated with complying with often complex and restrictive licence arrangements.
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10. Business rates maximisation and council tax arrears programmes

- 10.1. The GLA has in place a business rates maximisation programme. Under the business rates retention scheme the GLA receives 20% of all business rates income collectable by the 33 London billing authorities and benefits proportionately from any real terms incremental growth in the tax base. The GLA is working collaboratively with councils in London to identify assessments by rateable value which have been omitted from or are incorrectly recorded in the rating list and to maximise the business rates income for the GLA and the London boroughs.
- 10.2. The GLA is also working collaboratively with councils in London to reduce council tax arrears and maximise the council tax income for both the GLA and the London boroughs.

11. Risk and mitigation

- 11.1. Risks to the efficiencies plans are managed through the monitoring and scrutiny of the individual savings and efficiency programmes at departmental level and through reporting to senior management. The GLA maintains a corporate risk register which is maintained and updated with new information as it emerges to ensure that risks to efficiency plans are properly understood and mitigating action taken at the earliest opportunity. The GLA, LLDC and OPDC are also subject to the scrutiny of the London Assembly, as is the case with all members of the GLA Group. Further details on this are set out below.

12. Transparency and performance information

- 12.1. Both the GLA and LLDC produce quarterly reports that cover progress against major milestones, key risks and issues and a financial summary. LLDC's performance report is reviewed by the LLDC Board and both the GLA's and LLDC's reports are scrutinised by the London Assembly through its Budget Monitoring Sub-Committee. The reports are published publicly on the GLA and LLDC websites.
- 12.2. Updated savings and efficiencies will be published in the Mayor's 2017-18 Budget.
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13. Use of reserves

- 13.1. As set out in the 2016-17 Mayor's Budget, at 31 March 2016 the GLA's general reserves balance totalled £58.6 million. This balance will be reviewed as part of the current budget round and is likely to reduce in light of an up-to-date assessment of the strategic, operational and financial risks (both internal and external) to which the GLA is exposed, and the adequacy of earmarked reserves. Earmarked reserves include balances held to manage volatility in the GLA's business rates income and other funding sources. An updated four-year plan for the use of reserves will be published in the Mayor's 2017-18 budget.

 - 13.2. The LLDC plans to utilise its remaining revenue reserves in 2016-17. The GLA reserves position includes provisions held to fund legacy related costs incurred following the London 2012 Olympic Games; this represents a prudent level of reserves held to support LLDC in the medium term, should support be required, and accounts for the decision to allow LLDC's own reserves to reach zero by the end of 2016-17.
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MOPAC EFFICIENCY PLAN 2016/17 – 2019/20

Introduction & Background

On 17 December, DCLG announced an opportunity for recipients of revenue support grant and retained business rates to achieve greater certainty and confidence from a 4-year budget. This commitment to provide minimum allocations for each year of the Spending Review is in exchange for a locally owned and locally driven Efficiency Plan.

This document sets out the MOPAC Efficiency Plan which is drawn principally from the Medium Term Financial Strategy and 2017/18 budget setting guidance received from the Mayor of London. The Plan is designed to develop and change as items are discussed with the Mayor and all committed savings are currently being re-assessed as part of the ongoing budget scrutiny process. Updated savings and efficiencies will be published as part of the Mayor's 2017-18 budget.

Draft Police & Crime Plan

Following the election of the new Mayor of London, a new 4 year Police and Crime Plan is required by law to outline how the police, community safety partners and other criminal justice agencies will work together to reduce crime. Content of the police and Crime Plan is informed by the best evidence around effective crime reduction and the strategy is built upon clear objectives to be achieved.

The Plan, to be published in March 2017, will be subject to extensive consultation and MOPAC will produce an annual review at the end of each financial year outlining progress and ensuring our financial strategy supports the Mayor's priorities, objectives and goals.

Lord Harris Review

At the end of May, the Mayor asked Lord Harris of Haringey to undertake an independent review of London's preparedness to respond to a major terrorist attack. This review, which is expected shortly, will make recommendations to the MPS, London's other emergency services, local authorities, the GLA and central government. It is likely to have resource implications for the MPS, particularly relating to the current armed uplift programme and areas of work under the Prepare strand of the Government's counter-terrorism CONTEST strategy.

What have we done to date?

Over the last Spending Review period (2011/12 – 2015/16), the Met reduced costs by 20% through an approach to reform, reduce and release. We will have delivered circa £600m savings by 2016 by cutting the officer pay bill, selling 120 buildings, challenging commercial and contractual arrangements as well as the effective use of capital receipts.

One Met Model Transformation Strategy

The transformation is driven by three key objectives:

- **Every Community Safer**, giving more power and influence in every ward and borough through accountable and visible policing at the most local level, and delivering a step-change in the effectiveness of our services focused on protecting the most vulnerable;
- **A Safer London**, tackling the new and growing threats our city faces, freeing up 1,000 officers from existing services through increased productivity and better management of demand to be redeployed to these challenges;
- **A Transformed, Modern and Efficient Met**, that looks and feels more like London, ensuring we have officers with the skills, tools and approach necessary to police London effectively, and through which we can deliver the substantial budget savings still required.

Underpinning this is a focus on:

- Prevention and demand management;
- Stronger partnership working and collaboration;
 - For example collaborative procurement within the GLA group, better use of building assets and joint working on Mayoral priorities such as affordable housing targets.
- Enhancing the skills and capabilities of our workforce;
- Investment in our IT and estate to ensure we have an infrastructure capable of supporting effective policing.

How the MOPAC Financial Strategy supports the transformation

The current financial strategy is to:

- Maximise our future spend on the frontline by aiming to keep gross expenditure on back office functions to 15% of overall affordable gross expenditure by 2019/20 (23% in 2015/16)

Annex C – MOPAC Four Year Efficiency Plan

- Make the best use of the capital receipts and reserves we will invest in our services, and retained property and IT capability, to ensure we improve our productivity in front and middle office services. We will target those areas that benchmark unfavourably against our most similar forces and all other areas will deliver 3% a year of cashable efficiencies.
- Transform the way we provide services and our operating model for example by working differently with other public sector organisations and the public to release 1,000 officers for redirecting to operational priorities.

MOPAC Financial Position

Revenue

The table below sets out the savings plan for the four years to 2019-20. The plan is being reviewed as part of the ongoing budget setting process and updated savings and efficiencies figures will be published in the Mayor's 2017-18 budget.

Year	Total Savings (£m)
2016/17	127
2017/18	91
2018/19	68
2019/20	105
Total	391

All committed savings are currently being re-assessed as part of the budget scrutiny process. The Deputy Commissioner chairs the budget scrutiny panels, which include MOPAC representation. We are identifying and considering potential mitigations if there are timing issues or structural problems in terms of delivering the committed savings. Furthermore we are looking at areas for additional savings and whether we can bring forward any of the previously committed savings.

Capital

MOPAC's capital programme is critical to the transformation of policing's IT infrastructure and estate, both of which are vital to delivering the revenue savings programme. The Capital Programme includes funding for the transformation of the estate, investment in the 24 hour borough police stations and public access, technology projects in support of frontline policing and infrastructure modernisation and the vehicle replacement programme.

Capital Item	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Fleet Services	20.1	22.5	27.2	23.4
Property Services	101.8	248.0	228.8	85.3
Digital Policing	133.1	161.2	148.9	102.4
NCTP HQ	9.9	17.8	7.5	2.5
Programme Cost	264.9	449.5	412.4	213.6
Capital Receipts	-223.8	-313.8	-79.9	-130.0
Capital Grant & Other Contributions	-41.1	-43.5	-27.4	-23.8
Revenue Support (savings)	0.0	0.0	-89.0	0.0
Cash flowing via Group Investment Syndicate	0.0	0.0	-130.1	-59.8
Total Funding	-264.9	-357.3	-326.4	-213.6
Over-programming / headroom	0.0	-92.2	-86.0	0.0

Reserves

Reserves are used to fund unexpected or planned expenditure that cannot be met from within existing revenue budgets. Over the next 4 years MOPAC intend to fund redundancies, major change projects and interim budget pressures using reserves.

At 31 March 2016 MOPAC's general reserves balance was £46.6 million. This level of general reserves is forecast to be maintained as at 31 March 2020. The balances on earmarked reserves were £236.7 million at 31 March 2016 and are forecast to total £87.2 million as at 31 March 2020, striking a careful balance between investment and maintenance of prudent levels.

Reserves plans are being updated as part of the current budget process and the updated plans will be reflected in the Mayor's 2017-18 Budget.

Key Risks

- The MET continues to be underfunded for National and International Capital City (NICC) activities. Current underfunding is c£170m, which effectively means London Council Tax payers are subsidising national policing activities by c£61 per household.
- The capital programme due to its sheer size needs to be re-assessed in terms of cost, capacity, potential level of receipts and the Mayor's policies on affordable housing. We are also likely to have to borrow to deliver the programme
- Budget assessments indicate some timing challenges with the profiling of existing savings – these will be mitigated through the holding of reserves for use if necessary.



LFEPA
Efficiency Plan
2016 to 2020

Annex D – LFEPA Four Year Efficiency Plan

Annex D – LFEPA Four Year Efficiency Plan

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1 About the Plan

This Draft Efficiency Plan sets out how the Authority plans to improve the service it provides whilst managing with reduced real-terms funding levels. This document contains links to other relevant documents and websites and should be read in conjunction with those.

This plan will bring a number of benefits to LFEPA and the Local Community, including:

- Aid in financial planning for the Authority over the four year period.
- Aid in decision making by LFEPA regarding savings required over the plan.
- Making clear current planning assumptions and their risks.
- Adding transparency to the decision making process and aiding communities' understanding of LFEPA's financial situation.

2 Four Year Plan

The Authority's strategy for the provision of fire and rescue services is driven by its London Safety Plans. The current Fifth London Safety Plan was approved by the London Fire and Emergency Planning Authority on 12 September 2013 and it can be found at the below link.

<http://www.london-fire.gov.uk/Documents/LSP5-authority-version-18-july-following-september-authority-meeting.pdf>

The Fifth London Safety Plan (LSP5) covers the period from 2013 to the approval of the Sixth London Safety Plan, which is expected in March 2017.

LSP5 is the Authority's Integrated Risk Management Plan (IRMP) as set out in the Government's national framework for the fire and rescue service. It outlines a wide range of policies and measures which are intended to improve the safety of Londoners.

3 Review of the London Fire Brigade

The London Mayor has appointed Anthony Mayer CBE to carry out an strategic review of the London Fire Brigade. The review is one of the Mayor's manifesto commitments and aims to ensure the Brigade is fully equipped to fight and prevent fires, and to respond effectively to a terror attack or a major incident such as flooding.

As part of the review, Anthony Mayer, will consult with staff, LFEPA members, trade unions, local government and other emergency services and community groups. It aims to report in the autumn, and will help to inform the sixth London Safety Plan.

The review will be considered alongside the Mayor's terror preparedness review being led by Lord Harris.

4 LFEPA Funding

LFEPA is a part of the GLA group, forming one of its functional bodies. The Mayor sets the budget for the GLA and the functional bodies from the total overall resources under his control. These sources include Council Tax, Revenue Support Grant and Retained Business Rates. The Mayor uses these funding sources to allocate one overall funding amount to each Functional Body. This means that an adjustment to any individual item of LFEPA's funding will not necessarily result in an adjustment to LFEPA's overall funding.

The Government has offered authorities a four year funding settlement in order to provide increased certainty and to aid planning. In order to accept this offer Authorities are required to prepare and publish an Efficiency Plan for the organisation.

In his 2017/18 Budget Guidance, the Mayor allocated funding to LFEPA for planning purposes of £382.4m in each of the four financial years 2017/18 to 2020/21.

Annex D – LFEPA Four Year Efficiency Plan

5 Budget Assumptions

The following table sets out the expected costs pressures facing the Authority alongside other income it expects to receive.

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
Employee Cost Pressures				
Pay Award	3,187	3,233	3,273	3,314
One-off payment into the Local Government Pension Scheme in 2016/17 and resulting saving	3,568	(3,968)	0	0
Firefighter Pension Scheme- Retained Firefighters Impact	0	0	0	910
Removal of National Insurance rebate	5,674	0	0	0
FF Employer Pension Contributions (Change to Discount Rate)	0	0	0	5,100
Funding Reduction Following Implementation of the 2015 Firefighter's Pension Scheme	0	0	0	2,843
Changes to Staff on Development Rates of Pay	(1,980)	(1,844)	(1,314)	(508)
Impact of Changes to Recruitment	1,325	201	80	0
Operational Pension Scheme Changes	(900)	(244)	(247)	(228)
Apprenticeship Levy	0	1,282	0	0
Training Contract Cost Reduction	0	0	(3,280)	(1,423)
Other Staff and Staff Related Costs	478	569	541	732
Total Staff and Staff Related Pressures	11,352	(772)	(947)	(10,740)
Non Employee Cost Pressures and Savings				
Inflation	1,397	1,825	1,981	2,112
Property PFI Unitary Payment	2,036	33	40	50
Rent Review at Union Street	1,298	0	0	0
Business Rates Revaluation	0	1,438	276	282
Fleet Capital Financing	0	313	1,578	402
Other Non Staff Costs	1,531	(1,244)	675	667
Total Non Staff Pressures and Savings	6,262	2,364	4,550	3,513
TOTAL EXPENDITURE	437,834	429,216	431,492	442,932

Annex D – LFEPA Four Year Efficiency Plan

	2016/17 £k	2017/18 £k	2018/19 £k	2019/20 £k
INCOME				
Service Income				
MFB Act Income	(23,525)	(24,325)	(25,150)	(26,025)
Interest on Balances	(520)	(595)	(595)	(453)
Other Receipts	(8,321)	(8,231)	(8,196)	(8,166)
Total Income	(32,366)	(33,151)	(33,941)	(34,644)
Budget Requirement	405,468	396,065	397,551	408,288
Funding from the GLA	382,428	382,428	382,428	382,428
Section 31 Grants	12,676	12,310	12,310	12,310
Total GLA Funding and Section 31 Grants	395,104	394,738	394,738	394,738
Financial Challenge Before Efficiencies	(11,518)	(1,327)	(2,813)	(13,550)
Of Which One-Off Savings Achieved	(1,308)	0	0	0

The savings figures reported update those published in March 2016 in the Mayor's 2016-17 GLA Group Budget with the latest medium term planning assumptions.

This table demonstrates that LFEPA has a total cashable savings requirement of £29.2m over the four year period 2016/17 to 2019/20. So far LFEPA has identified ongoing savings of £10.2m to meet its 2016/17 target and is carrying out a budget process to identify savings to meet the remaining budget gap. This will include both tactical savings found within departmental budgets and also the impact of the Sixth London Safety Plan (LSP6) which will deliver strategic savings.

LSP6 will be put to a full meeting of LFEPA for agreement in March 2017.

Annex D – LFEPA Four Year Efficiency Plan

6 Risks and Mitigation Strategies

The risks and mitigation strategies in relation to the major potential efficiencies and cost pressures is shown in the table below.

Efficiency Savings Assumptions	Risks	Mitigation
Efficiencies within the Sixth London Safety Plan	The plan does not consider that cashable savings are achievable over the required timeframe.	Ongoing reviews of support services that are considered annually.
Pension pressures vary to that currently forecast	The impact in 2019/20 for the change to the discount factor, retained firefighters settlements and potential funding reduction following the implementation of the 2015 scheme are higher than forecast.	Ongoing communication with the Home Office to ensure forecasts are up to date and accurate.
Annual savings from the implementation of the Property Services Integrator	The average forecast saving of £0.6m on the supply chain is not achieved at the start of the contract.	Oversight of project by senior management.
Inflation and Pay Award Budget	Levels of inflation or pay award exceed that forecast.	General Fund reserve kept at balance sufficient to cover one-off events.
Charges for Shut in Lift and Automatic Fire Alarm Income	Income decreases as demand is reduced at a faster rate than forecast.	Annual review of these charges to ensure budget is set correctly.

7 Capital Expenditure

As well as ensuring that the revenue budget is affordable over the medium term, the Authority also needs to ensure money is available to purchase new assets (e.g. buildings, vehicles, equipment). The planned capital programme is shown in the table below.

Estimated Capital Expenditure	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
Capital Expenditure	35.6	52.4	42.4	28.6
Capital Expenditure Financing				
Capital Receipts	29.5	43.6	26.7	0
Reserves	0	0	0	0
Government grants & other contributions	0.6	0	0	0
Direct Revenue Contributions	0	0	0	0
Finance Lease - PFI	5.5	0	0	0
Unsupported / Prudential Borrowing	0	8.9	15.7	28.6

8 Collaboration

The Policing and Crime Bill, published on 10 February 2016, places a duty on police, fire and rescue, and ambulance services to collaborate. Whilst the Brigade already works in partnership with the other emergency services in many ways, in October 2015, the Commissioner, the Chief Executive of London Ambulance Service and the Deputy Commissioner of the Metropolitan Police Service stated their strategic intent to collaborate closely in order to provide significant benefits in terms of improving the effectiveness and efficiency of blue light services to the people of London.

The Authority has published a report at the below link which outlines the progress, direction and future considerations for London blue light collaboration.

<http://moderngov.london-fire.gov.uk/mgconvert2pdf.aspx?id=5301>

In addition LFEPA is also part of the GLA Collaborative Procurement function which is hosted by Transport for London and provides procurement services to all of the GLA functional bodies with the aim of delivering savings through economies of scale. The team focus on common categories of spend such as utilities, fuel, printing and office supplies

LFEPA already has a number of shared services arrangements both with other functional bodies within the GLA and external organisations. These include Internal Audit, Payroll, Firefighters' Pension Services, Treasury Management, Clerk and Democratic Services and Member Services.

Flexible Working

The Authority has a commitment to a healthy work life balance for all its employees and considers approaches for flexible working in a positive way.

The Sixth London Safety Plan will demonstrate how we will use our resources flexibly to achieve better utilisation of our firefighters.

Performance Information

The Authority commits to publication of transparent performance information. This includes but is not limited to:

- Budget monitoring reports (revenue, capital and treasury)
- Key Indicators in the London Safety Plan
- Statement of Accounts
- Annual Governance Statement
- Statement of Assurance
- Information required by the prevailing Local Government Transparency Code

Annex D – LFEPA Four Year Efficiency Plan

Use of Reserves

Reserves are an essential part of good financial management. They allow authorities to manage unpredictable financial pressures and plan for their future spending. The level, purpose and planned use of reserves are important factors for Members to consider in developing medium-term plans and setting annual budgets. Reserves are held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves
- a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves
- a means of building up funds (often referred to as earmarked reserves) to meet known or predicted requirements

Within the existing statutory and regulatory framework, it is the responsibility of the Chief Finance Officer to advise the Authority about the level of reserves that it should hold and to ensure that there are clear protocols for their establishment and use.

The projected balance of reserves for the period is shown in the following table.

Estimated Financial Reserves Levels	2016-17 £m	2017-18 £m	2018-19 £m	2019-20 £m
General Fund Balance as at start of Financial Year	14.0	19.4	19.4	19.4
Earmarked General Fund Reserves	19.0	11.8	11.7	11.7
Expected Use of Earmarked Reserves	(8.2)	(0.1)	0	0

The use of reserves in 2016-17 includes a contribution to capital to reduce the capital financing requirement, and also to make a payment into the Local Government Pension Scheme to reduce the past service deficit.

Progress of the Efficiency Plan

Once agreed by a full meeting of the Authority, LFEPA commits to publishing an annual report on the progress of the Efficiency Plan. This will be published as part of our annual Statement of Assurance on our website

Annex E – TfL Four Year Efficiency Plan

Transport for London 2016/17 Budget and Business Plan – Efficiencies Programme

1. Overview and assumptions

- 1.1. The 2016/17 Budget and Business Plan was prepared following the Spending Review 2015 (SR15) announcements which introduced a phased withdrawal of TfL's Revenue Grant funding to 2018/19.
- 1.2. The budget also included funding for new initiatives put forward by the then Mayor of £1.1bn with no deferral or cancellation of projects.
- 1.3. The budget also assumed that fares revenue would increase by RPI +1%.

2. Post 2016/17 Budget Plans

- 2.1. Following the election of the new Mayor, assumptions and forecasts relating to fares revenue have been revised. The Business Plan, which will be published in December 2016, will reflect new manifesto pledges including the new fares assumptions. Therefore all future savings are work in progress with the new Mayor.
- 2.2. Additional cost reduction plans are being developed to provide a fully funded and balanced business plan that delivers the transport strategy and the Mayor's priorities.

3. Operating Expenditure Efficiencies

- 3.1. The Budget and Business Plan included £2.7bn of cumulative Operating Expenditure savings over the 5 year Business Plan including savings attributed to TfL's Business & Finance Review which began in January 2016. All savings are cashable.
- 3.2. These planned cost reductions offset the reduced grant income:

Operations (£m)	2016/17	2017/18	2018/19	2019/20	2020/21
Total cost reduction plan	250	725	1,349	2,018	2,756

4. Capital Efficiencies

- 4.1. The Budget & Business Plan also included £1.5bn of value engineering in the capital investment programme:

Annex E – TfL Four Year Efficiency Plan

Capital investment (£m)	2016/17	2017/18	2018/19	2019/20	2020/21
Cost reduction through value engineering	47	367	767	1,117	1,567

5. Key risks and mitigations for the 2016/17 efficiencies plan

- 5.1. The savings identified during the 2016/17 Budget and Business Planning Process were established using estimates from the Business & Finance Review which commenced in January 2016. Subsequently, a dedicated project team was set up to work with the Business Areas to explore options using a rigorous project management process ensuring savings can be delivered. A new Transformation team has been created to deliver the savings.

6. Shared Services

- 6.1. Throughout the Mayoral term, TfL will continue to support the GLA family through our continued shared service agreement for Legal, Commercial and Secretariat activities. The Mayor's Office, the other functional bodies of the GLA Group and TfL are currently in discussions to explore further opportunities for shared services.

7. Transparency of efficiencies plan

- 7.1. Our current intention is to report on Savings & Efficiencies through our Quarterly Performance Report and Finance Report in the main financial analysis, rather than creating separate reports. In addition, TfL will continue to report on the nature of the saving initiatives that have been implemented in TfL's Annual Report and revised savings and efficiencies will be included in the Mayor's 2017-18 budget.

8. Reserves

- 8.1. TfL holds general reserves and ear marked reserves based on its planned profile of expenditure. Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and form part of the overall funding available for the Investment Programme. Earmarked reserves will be expended over the period to 31 March 2020 on a number of major capital programmes as part of TfL's Investment Programme.

Annex E – TfL Four Year Efficiency Plan

Appendix

March 2016 Budget and Business Plan financials

TfL Business Plan 2016	2016/17	2017/18	2018/19	2019/20	2020/21
Operating account (£m)	92	(11)	169	263	427
Fares income	4,811	5,117	5,584	6,165	6,621
Other operating income	696	769	860	868	886
Revenue Grants	1,345	1,161	946	947	940
Operating Income	6,852	7,047	7,390	7,981	8,447
Operating expenditure	(6,411)	(6,518)	(6,699)	(7,129)	(7,389)
Financing and Group Items	(349)	(540)	(522)	(589)	(631)
Capital account (£m)	(1,396)	(516)	(470)	(267)	(543)
Capital Investment	(2,107)	(2,321)	(2,321)	(2,007)	(2,393)
Crossrail	(1,398)	(689)	(168)	(176)	(12)
Investment Grant	944	960	976	993	1,010
Other capital grants	168	246	265	166	28
Property sales	127	279	135	232	199
Borrowing	732	900	500	500	600
Crossrail funding sources	138	109	143	25	25
Net movement (£m)	(1,304)	(527)	(301)	(4)	(116)