

MAYOR OF LONDON

The Mayor's Budget Guidance for 2017-18

1 July 2016

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Executive Summary of the Mayor's Budget Guidance for 2017-18

My Budget Guidance sets out a significantly different approach to the Budget Process for 2017-18 from earlier years.

There is uncertainty about the level of funding the GLA and its functional bodies will receive in future years. Specifically:

- Despite the four year settlement for local government and fire services and TfL's Settlement announced by the Government last year, some of these figures remain indicative and in relation to Home Office funding for policing for one year only;
- There is uncertainty about the level of Council Tax buoyancy, which will not be known until late in the budget process;
- There remains a high degree of challenge in forecasting business rates income due to the impact of:
 - the move to 100 per cent retention announced by the Government in October 2015;
 - the effect of the transfer of TfL's capital grants into the system and the potential doubling of the GLA's share of London's rates income which will require a greater provision for appeals to be made;
 - continued uncertainty arising from the Valuation Office Agency's backlog in clearing rating appeals; and
 - the impact of the revaluation in April 2017 which based on current plans is likely to increase bills for the majority of London's businesses and also materially increase the GLA's fixed tariff payment to central government which is used to support local authority services elsewhere in England.
- The outcome of the European Union Referendum has potentially increased uncertainty over London's access to European funds.

The outcome of many of these issues will not be known or fully resolved until sometime after the 2017-18 Budget is set and others such as the impact of business rates appeals are likely to remain an ongoing feature of the system. From 2018-19, I may also take responsibility for setting part of the business rates multiplier in London and proposals are being developed with boroughs to deliver a devolution package which is likely to require further refinement of budget priorities and processes.

Despite these uncertainties, I recognise the need to start planning ahead for next year's Budget at the earliest juncture, and in particular to adjust the GLA Group's Budget to reflect my policy priorities. Further, my Guidance is being issued earlier to give the GLA and its functional bodies more time to develop the efficiency proposals I require.

To begin this process I propose that the GLA and its functional bodies should assume for interim planning purposes that their:

- allocation of discretionary revenue income from me for 2017-18 and future years over this Mayoralty will be at the same cash level, on a like for like basis, as in 2016-17 – this being income from revenue support grant, retained business rates and the council tax precept; and
- Capital Programme will be at the previously approved level.

The detailed Guidance sets out an indicative share of Council Tax, Revenue Support Grant and Retained Business Rates, as appropriate, for 2017-18 and a control total for Capital Expenditure until at least March 2019. These allocations start a process of de-coupling the sources of income from the spending needs of the GLA and its functional bodies (i.e. there is to be a focus on the cash allocations to each member of the Group based on their needs, rather than where the resources come from).

I require that the GLA and its functional bodies make a submission to me by Friday, 14 October of:

- What efficiencies and savings they plan to make in 2017-18 and later years to manage within the discretionary income limits set out in this Guidance;
- How they have adjusted their proposed Revenue Budget and Capital Programme to deliver my policy priorities within the control totals for revenue and capital expenditure set; and
- Subject to fulfilling the above bullets, make proposals for growth in the control totals set which would further deliver my priorities.

The GLA and its functional bodies should be under no illusion that I expect that this process is a fundamental review of all of the GLA Group's expenditure and that I expect to see significant changes from the current allocation of resources within the GLA and its functional bodies. Although I recognise that different parts of the GLA Group have differential access to delivering efficiencies, I expect that areas which do not demonstrate sufficient efficiencies will receive a lower level of resourcing compared to previous years than better planned areas.

Once I have reviewed submissions from the GLA and its functional bodies, I anticipate that in early November I will consult the Assembly and functional bodies on my intentions for draft budget proposals to allow final budget submissions to be made to me before the end of November. These budget submissions will then form the basis of my Draft Consultation Budget to be issued in December and thereafter the statutory consultation process with the Assembly in the New Year. However, it is likely that submissions may be adjusted once full grant Settlements become known in December.

The detailed Budget Guidance sets out the additional and new arrangements that I have put in place to ensure the delivery of the Budget Process described above.

My Budget Guidance seeks to ensure that the GLA and its functional bodies, as far as is possible and practical, prepare their budgets consistently and within the same timescales. In particular, it sets the framework for my intention that a cohesive and Group-wide process for preparing the 2017-18 Budget is followed.

In summary, my Budget Guidance will be challenging for the GLA and its functional bodies to implement. However, despite uncertainty inherent in the GLA Group's funding position, I expect there to be a major re-alignment of resources in the Budget for 2017-18 to support my priorities.

Sadiq Khan
Mayor of London
1 July 2016

1 Introduction

- 1.1 The GLA Budget ensures that there are sound financial plans to support Mayoral objectives and priorities within available resources. Set out below is the formal guidance to the GLA and its functional bodies for the 2017-18 Budget.
- 1.2 The 2017-18 budget process in summary requires the GLA and its functional bodies to:
- prepare their 2017-18 budget submissions on the basis set out in this Guidance;
 - make an initial submission by Friday, 14 October 2016 in response to the indicative allocation of discretionary Mayoral resources and control total for Capital expenditure;
 - await preliminary draft budget proposals being issued by the Mayor for consultation in early November and make a formal response to these proposals;
 - make a full and final budget submission to the Mayor by Wednesday, 30 November 2016 with proposals that ensure their budget is within the funding envelope specified;
 - consider and respond to the publication of the Mayor's draft consolidated budget which is to be published in mid-December 2016; following which
 - from then and through to late February 2017 the Assembly will consider the Mayor's budget proposals.
- 1.3 A more detailed Budget Timetable is attached as Annex A.
- 1.4 In the light of progress against the current year's budget, emerging issues and significant developments, this Budget Guidance will need to be kept under review and the timetable may need to be revised. In particular, once the outcome of responses from the GLA and its functional bodies to the October submission is determined by the Mayor, it is anticipated that there will be revised Budget instructions. In addition, as the Government announces its Settlements for parts of the GLA Group and the impact of the 2017 Revaluation of Business Rates becomes known, this Guidance may also need to be revised.
- 1.5 The information sought from functional bodies in this Budget Guidance is requested in accordance with the provisions of sections 110 and 125 of the GLA Act 1999.
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2 Strategic policy aims and objectives

- 2.1 The budget development process is designed to ensure that the Mayor's budget proposals are an accurate reflection of the Mayor's priority aims and objectives within available resources. These balance the Mayor's manifesto commitments with his statutory responsibilities and priorities arising from national and international events.
- 2.2 However, the Mayor's requirement that the GLA and its functional bodies make an initial budget submission by mid-October within the cash limits specified is deliberately designed to deliver efficiencies and re-align resources to the Mayor's priorities.

3 Budget proposals

- 3.1 The key deadlines for the GLA and its functional bodies are:

♦ By Friday, 14 October 2016 to make an initial budget submission as specified below and at Annex B.

and

♦ By Wednesday, 30 November 2016 in the light of preliminary draft budget proposals issued by the Mayor to make a full budget submission as specified below and at Annex C.

- 3.2 The initial budget submission by 14 October 2016 will not be a public document and will be issued as private advice to the Mayor. However, the response by 30 November 2016 will be a public document and not be issued as private advice to the Mayor.
- 3.3 The initial budget submission is intended to inform the Mayor's consultation proposals in early November. The final budget submission is expected to allow a financially balanced budget for 2017-18 to be set within the funding envelope specified.
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- 3.4 As there is a requirement for an initial submission, high-level meetings between the Mayoral team and the GLA and each of its functional bodies will need to be added to the Budget timetable. Regular officer meetings between the GLA and each functional body will be held to discuss both the initial and final budget submissions and to advise of any subsequent developments and resolve any queries that might arise.

4 Initial Budget Submission

- 4.1 To facilitate the initial budget submission the Mayor proposes that the GLA and its functional bodies should assume for interim planning purposes that their:
- allocation of discretionary revenue income from the Mayor for 2017-18 and future years over this Mayoralty will be at the same cash level, on a like for like basis, as in 2016-17; and
 - Capital Programme will be at the previously approved level.
- 4.2 Set out below is an indicative share of Council Tax, Revenue Support Grant and Retained Business Rates, as appropriate, for 2017-18 for the GLA and each of its functional bodies based on existing forecasts. The TfL retained business rates share includes £960 million relating to its former capital investment grant which the Mayor intends should be applied for capital purposes.

Discretionary Mayoral Funding (all £'ms)	Council Tax	RSG	Retained Business Rates	Total
GLA: Mayor	66.7	6.9	74.1	147.7
GLA: Assembly	2.6	2.5	2.1	7.2
MOPAC	568.5	27.1	0.0	595.6
LFEPAC	138.2	112.0	132.2	382.4
TfL	6.0	0.0	1,814.3	1,820.3
Total	782.0	148.5	2,022.7	2,953.2

Detailed notes explaining the derivation of these figures are set out at Annex B.

- 4.3 Set out below for planning purposes is an aggregate control total for Discretionary Mayoral funding resources for 2018-21 for the GLA and each functional body:

- GLA: Mayor: £147.0m for each of the three years from 2018-19 to 2020-21. The GLA numbers reflect just the cost of GLA services and not those financial elements accounted for with this component budget but relate to the wider GLA group budget (e.g. council tax and business rates transactions and the Mayor's Resilience Reserve);
- GLA: Assembly - £7.2m for each of the three years from 2018-19 to 2020-21;
- MOPAC: £597.4m in 2018-19; £598.7m in 2019-20 and £599.9m in 2020-21 as a minimum subject to this being reviewed to take into account final council tax base data and the need to set a precept for police and other services which does not trigger a referendum;
- LFEPA: £382.4m for each of the three years from 2018-19 to 2020-21; and
- TfL: £1,836.3m for 2018-19; £1,853.3m for 2019-20 and £1,870.3m in 2020-21 – assuming its precept share is maintained at £6m and the capital element of its allocation is uprated in line with the settlement agreed with the Department for Transport as part of the 2015 Spending Review.

4.4 Set out below is a Control Total for the level of Capital Expenditure until at least March 2019 for the GLA and its functional bodies, as appropriate.

(all £'ms)	Control Totals for Capital Programme
GLA: Mayor	3,606.6
MOPAC	1,195.1
LFEPA	175.3
TfL	8,499.0
LLDC	728.4
Total	14,204.1

Detailed notes explaining the derivation of these figures are set out at Annex B.

4.5 The Mayor requires that the GLA and its functional bodies make a submission to him by 14 October of:

- What efficiencies and savings in their revenue budget they plan to make in 2017-18 and later years to manage within the discretionary income limits from the Mayor set out in this Guidance;

- How they have adjusted their proposed Revenue Budget and Capital Programme to deliver his policy priorities within the control totals for revenue and capital expenditure set; and
- Subject to fulfilling the above bullets, make proposals for growth in the control totals set which would further deliver his priorities.

4.6 The GLA and its functional bodies must plan on the basis that their policy review process is to align with the deadlines in this Budget Guidance. Specifically, the Mayor is undertaking separate strategic reviews of the resources to be allocated to LFEPA and OPDC, and Lord Harris has been commissioned to lead a full terrorism preparedness review. It is proposed that all these reviews will need to reach a conclusion at least in time for the initial budget submission by 14 October.

4.7 Set out at Annex B are templates which the GLA and its functional bodies must use in making their initial budget submission.

4.8 The indicative allocations of resources set out above start a process of de-coupling the previous sources of income for each member of the Group from the spending needs of the GLA and its functional bodies (i.e. there is to be a focus on the cash allocations to each member of the Group based on their needs, rather than where the resources come from).

5 Final Budget Submission

5.1 The final budget submission to be submitted by 30 November must:

- ♦ Cover at least the period 2017-18 to 2020-21.
- ♦ Set out what is planned to be achieved in high-level terms over that period.
- ♦ Annex C to this guidance provides further information on the financial information to be provided.

5.2 The above information and matters raised in the responses will be taken into account when the Mayor issues his budget proposals, which will be subject to wider consultation, on or around mid-December 2016.

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

6 Financial planning guidelines

- 6.1 Subject to any further guidance issued later in the year, budget plans should be prepared on the assumptions as set out below for the GLA and its functional bodies. At this stage no commitments are made about any additional resources that the Mayor may have available beyond the control totals set. The allocation of any additional resources may be determined and finalised following the Mayor's consideration of initial budget submissions in October.

GLA, including Assembly, LLDC and OPDC

- 6.2 The GLA: Mayor's submission should set out details of the GLA's core services, and not include items that will be accounted for within the final GLA: Mayors' budget for the Mayor's Resilience Reserve, including Council Tax and Retained Business Rates transactions.
- 6.3 The Mayor expects the GLA: Assembly budget to be constructed under the same discipline as that for the GLA: Mayor's budget. A separate letter has been sent to the Assembly setting out the Mayor's proposed arrangements for the preparation of their budget.
- 6.4 The budget for the GLA's core services should include contributions for the LLDC and OPDC. These will be determined following the initial budget submissions from the LLDC and OPDC in accordance with this guidance and the strategic review of the OPDC. At this stage no explicit contribution from the GLA to OPDC is proposed for 2017-18 and future years, as this will be set later in the budget process.

7 Review process

- 7.1 The planning guidelines will be kept under review in light of the 2015-16 outturn and any indication that Government grant levels already announced might change. Further guidance may be issued once the collection of retained business rates in 2015-16 is finalised and audited. Other supplementary guidance will be circulated if necessary during the budget process.
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8 Capital

- 8.1 Despite the fact that there are separate statutory deadlines for capital and revenue, one overall Budget document is to be prepared, with revenue and capital published together. The Budget Guidance requests that the GLA and its functional bodies integrate their capital and revenue planning together in their initial budget submission in October and final budget submission by the end of November 2016. The Mayor proposes then to consult on one integrated capital and revenue budget in December. This will mean that both revenue and capital proposals should be approved by the end of February 2017.
- 8.2 It is important that proposed changes to capital spending plans are in accordance with the Mayor's new priorities whilst ensuring they are affordable and the revenue implications are fully built into the revenue budgets.
- 8.3 Under the Group Investment arrangements where the GLA manages the treasury functions for all of its functional bodies, apart from TfL, it is envisaged that there will be close working across the GLA Group in the financing of the Mayor's Capital Plan.

9 Reserves

- 9.1 Reserves held by the GLA and its functional bodies should only be used for the purpose they have been established for. Budget submissions must be explicit about plans for the use of reserves. Any plans to add to reserves must be fully explained and justified.
- 9.2 There will be a full review of all reserves across the Group as part of the budget process.

10 Efficiencies

- 10.1 As in earlier years the Mayor requires the GLA and its functional bodies to split overall savings proposals between efficiencies and savings.
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11 Public sector equality duty

- 11.1 As public bodies, the GLA and the functional bodies must comply with section 149 of the Equality Act 2010, which provides for the “public sector equality duty”. This duty requires each body to have due regard to the need to eliminate unlawful discrimination, harassment and victimisation, to advance equality of opportunity, and to foster good relations between people who share a protected characteristic and those who do not. The protected characteristics covered by section 149 are: age; disability; gender reassignment; pregnancy and maternity; race; sex; religion or belief; and sexual orientation.
- 11.2 Compliance with the duty may involve, in particular, removing or minimising any disadvantage suffered by those who share a relevant protected characteristic, taking steps to meet the needs of such people; and encouraging them to participate in public life; or in any other activity where their participation is disproportionately low, including tackling prejudice and promoting understanding. In limited circumstances this may involve treating people with a protected characteristic more favourably than those without the characteristic, in particular, making reasonable adjustments for a disabled person; and in some cases a pregnant worker can be treated more favourably.
- 11.3 The Mayor requires that each functional body ensures that their budget submission fully discharges their public sector equality duty. Accordingly, the Mayor strongly advises that each functional body include a full equality statement in their final budget submission. These statements will form the equality statement that the Mayor will publish as part of his Budget proposals for 2017-18.

12 Collaborative Procurement

- 12.1 In April 2015 the GLA Collaborative Procurement Team was established and is responsible for a range of common and low complexity procurement categories on behalf of the GLA and the functional bodies. The team secured total savings of £4.8m in 2015-16 and from projects currently underway have identified a further £7.4m of savings over the three year period 2016-17 to 2018-19.
- 12.2 The delivery of savings is being monitored through the GLA Group Collaborative Procurement Board and the Board will identify and agree further savings opportunities. If it is considered that a functional body is not making sufficient progress to realise the anticipated savings from Collaborative Procurement the Mayor may reduce his proposed funding levels accordingly for that body.
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13 Managing the budget process

- 13.1 During the budget process the Mayor and his advisers will, whenever appropriate, use meetings with functional body members and chief officers to discuss the main strategic issues to be addressed in the Budget. There will be regular officer-level meetings throughout the budget development period, with specific meetings with the Mayor and/or his advisers as required.
- 13.2 However, in view of the requirement that there is an initial budget submission in October, which will then be challenged by the Mayor and his advisors, high level review meetings will be set up with each member of the GLA Group in July and thereafter, as appropriate, to ensure this Guidance is implemented fully.

14 Dialogue with budget consultees and contacts

- 14.1 The statutory framework for consultation on the Mayor's draft consolidated Budget is restricted by the time available (mid-December to mid-January). To complement and prepare for this part of the budget process, the GLA will maintain a dialogue with, and provide information to, key stakeholders.
- 14.2 In view of the commitment that this administration will be the most pro-business yet, further advice will be set out on the consultation arrangements on the Budget that will be developed with businesses.
- 14.3 This guidance does not cover the Assembly's Budget and Performance Committee's normal scrutiny process in relation to the functional bodies. This is a different process to the Committee's scrutiny of the GLA's budget. The Budget and Performance Committee will be requesting information at key stages of the 2017-18 Budget process and there will be a requirement for members and officers of each functional body to attend Committee meetings as appropriate.
- 14.4 If any further information or clarification is required on this guidance then please contact: David Gallie, Assistant Director – Group Finance, on 020 7983 4968 or email: david.gallie@london.gov.uk.
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Annex A

Annex A Budget Timetable

DATE	DESCRIPTION
1 July 2016	Mayor's Budget Guidance issued.
July 2016	High level meetings between Mayoral team and the GLA and its functional bodies to set out the Budget Guidance.
July – 14 October 2016	Budget preparation by the GLA and its functional bodies.
14 October 2016	The GLA and its functional bodies to make an initial budget submission as specified in this Guidance and at Annex B.
Mid-October to early November 2016	Mayor considers initial budget submissions and through high level meetings with the GLA and its functional bodies develops draft budget proposals.
Early November 2016	Preliminary draft budget proposals prepared and issued for consultation with the GLA and its functional bodies.
30 November 2016	Responses received to draft budget proposals issued, including full and final budget submissions from the GLA and its functional bodies on all aspects of the 2017-18 Budget as specified in this Guidance and at Annex C.
Mid-December 2016	Following the publication of the provisional Local Government, Fire and Police Settlements, issue the draft consolidated budget, including Capital Spending Plans and borrowing limits. Statutory scrutiny of Mayor's budget proposals starts.
25 January 2017	Assembly to consider draft consolidated budget.
20 February 2017	Assembly to consider final draft consolidated budget.
28 February 2017	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.

Annex B

Annex B Initial Budget Submission

Notes to Discretionary Mayoral Funding Sources

Allocations of Council Tax (CT), Revenue Support Grant (RSG) and Retained Business Rates (RBR) are as set out in the 2017-18 Budget Plan (agreed as part of the 2016-17 Budget), except that:

- the GLA: Mayor's share has been set to finance just the GLA's core services; and
- TfL's share of Retained Business Rates equates to the same cash share in 2016-17 plus the transfer of £960m of capital grants into RBR (i.e. there is no assumed inflationary uplift on TfL's share of RBR for its former revenue grant but their share of retained rates increases for the actual DfT settlement for its capital grants).

Any unallocated additional sums arising from the above are presently held for the Mayor to determine their allocation later in the Budget Process.

Funding for LLDC and OPDC comes from the GLA: Mayor's share of Discretionary Mayoral Funding (i.e. LLDC and OPDC do not receive any explicit share of Council Tax, RSG or Retained Business Rates). LLDC should assume a direct GLA: Mayor contribution of: £14m in 2017-18 and future years for core activities plus GLA funding to cover financing costs from the agreed Capital Programme. At this stage no explicit contribution from the GLA to OPDC is proposed for 2017-18 and future years, as this will be set later in the budget process. Discretionary Mayoral Funding Sources for 2018-21 are based on figures in the Approved Budget, and extrapolating figures for 2020-21 on the basis of the same funding principles applied in earlier years.

Notes to Control Total for Capital Programme

With the exception of TfL, the control totals for the Capital Programme for 2015-19 for the GLA and its functional bodies are derived from the sum of the Approved Capital Programme as set out in the Mayor's approved Budget for 2016-17 of February 2016. Figures cover the period 2015-19, so that any slippage from 2015-16 into later years can be brought into the aggregate Capital Programme for 2016-19.

TfL's Capital Programme is derived from the Capital Account 2016-21 in its Approved Business Plan for 2016-21.

The Assembly and OPDC have no approved Capital Programme.

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Template for Efficiencies and Savings

GLA / functional body:	Description of Efficiency / Saving	2017-18 (£'000)	2018-19 (£'000)	2019-20 (£'000)	2020-21 (£'000)
Existing Planned Efficiencies / Savings (A):					
(1)					
(2)					
Sub-total Existing Planned Efficiencies / Savings (B):					
New Efficiencies / Savings (C):					
(1)					
(2)					
Sub-total New Efficiencies / Savings (D):					
Total Efficiencies / Savings (E):					

Notes to Template for Efficiencies and Savings

The level of description in the second column for each Efficiency / Saving should be sufficient for the Mayor to understand the impact of the proposal.

The existing planned Efficiency / Savings should be the assumed level, if any, in the agreed Budget for the GLA and each functional body set in February 2016. Any variance between the assumed and actual planned Efficiencies / Savings should be explained.

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New Efficiencies / Savings should be any additional Efficiency / Saving over and above that assumed in the agreed Budget for the GLA and each functional body set in February 2016.

Efficiencies and Savings should be set out on an incremental, not a cumulative basis.

Template for Adjustments to Revenue Budget to deliver the Mayor's policy priorities

GLA / functional body:	Description of Adjustment	2017-18 (£'000)	2018-19 (£'000)	2019-20 (£'000)	2020-21 (£'000)
Adjustments to reflect Mayoral priorities:					
(1)					
(2)					
Total Adjustments to reflect Mayoral priorities:					
Adjustments unrelated to Mayoral priorities:					
(1)					
(2)					
Total Adjustments unrelated to Mayoral priorities:					
Total Adjustments					

The level of description in the second column for each Revenue Adjustment to reflect Mayoral priorities should be sufficient for the Mayor to understand the impact of the

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proposal. The description must cross-reference to the relevant commitment in the Mayor's manifesto or separate commitment given by the Mayor.

The total of Revenue Adjustments should not exceed the Total Efficiencies / Savings (Item E in the Template for Efficiencies and Savings). It is anticipated that any revenue adjustments would be contained by additional efficiency savings being made.

Revenue adjustments should be set out on an incremental not a cumulative basis.

Template for Adjustments to Capital Programme to deliver the Mayor's policy priorities

Member of Group:	Description of Adjustment	Time period *(£'000)
Adjustments to reflect Mayoral priorities:		
(1)		
(2)		
Adjustments unrelated to Mayoral priorities:		
(1)		
(2)		
Total Adjustments		

*The time period for TfL is 2016-21 and for the GLA and other functional bodies 2015-19.

The level of description in the second column for each Capital Adjustment should be sufficient for the Mayor to understand the impact of the proposal. The description must cross-reference to the relevant commitment in the Mayor's manifesto or separate commitment given by the Mayor, if related to a Mayoral priority.

The total of Capital Adjustments should be neutral over the four year period to 2015-19 for all the GLA Group (except for TfL where the time period is 2016-21), so that the Capital Programme equals the Capital control total over the time period set.

Capital adjustments should be set out on an incremental not a cumulative basis.

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Template for Growth in the Indicative Cash Limit to deliver the Mayor's priorities

GLA / functional body:	Description of Growth	2017-18 (£'000)	2018-19 (£'000)	2019-20 (£'000)	2020-21 (£'000)
Growth to reflect Mayoral priorities:					
(1)					
(2)					
Total:					

Any growth proposals must explicitly reference the commitment in the Mayor's manifesto or separate commitment given by the Mayor and describe why the growth cannot be funded by a re-direction of other resources.

No submission of growth items under this Template will be considered unless the other templates on Efficiencies, Revenue and Capital Adjustments have been fully completed. However, the GLA and its functional bodies may submit growth proposals in excess of their efficiencies / savings.

Growth should be set out on an incremental not a cumulative basis.

Annex C

Annex C Financial information

Required by 30 November 2016 from the GLA and its functional bodies

Service Analysis

1. The main financial element of the final budget submissions will be an analysis of budget proposals by service division / objective for the four years 2017-18 to 2020-21 with comparative figures for the 2016-17 Budget and forecast outturn and actual 2015-16 outturn showing:

- ♦ Income to be raised and expenditure to be incurred in providing the complete range of services provided by the body
- ♦ Capital financing costs (including capital expenditure charged to revenue)
- ♦ External interest receipts
- ♦ All estimated income from general Government grants and specific Government Grants paid solely for the purposes of that functional body and only issued by relevant Government Departments (e.g. Home Office police grant).
- ♦ Transfers to and from earmarked and general reserves
- ♦ Any other financial charges and adjustments

2. If the service division / objective analysis is revised from that used for 2016-17, then the figures for the previous year should be re-stated on a comparable basis.
3. The budget proposals must be supported by an analysis of changes from the equivalent budgeted figures for 2016-17, separately identifying changes due to:

- ♦ Inflation
 - ♦ Changes in service levels (making a distinction between those which are committed and those which are new initiatives)
 - ♦ Savings and efficiencies
 - ♦ General and specific government grants
 - ♦ Use of reserves
 - ♦ Any other significant factors.
 - ♦ TfL are specifically requested to analyse changes in fares, charges and other income and to isolate the effects of inflation.
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Subjective analysis

4. A subjective analysis must also be submitted covering the four-year plan period 2017-18 to 2020-21, including a comparison with 2016-17 figures.

New initiatives and service improvements

5. A clear distinction must be made between the full year effects of new activities approved in 2016-17 or earlier years – these are committed service increases – and proposed new initiatives. However, for clarity, the definition of new initiatives is restricted to new provision of services and service improvements, including those to be funded by a redeployment or more effective use of existing resources.
6. Each new initiative / service improvement should have a brief description of the proposal including the expected service improvement or deliverable, and the cost in each of the four years 2017-18 to 2020-21. Costs of new initiatives should be reflected in each of the four years in which they will be incurred i.e. unless the initiative is of a short-term nature, costs should be repeated in all years.

Savings and efficiencies

7. The GLA and its functional bodies will be required to make savings to set a financially balanced budget for 2017-18 within the funding envelope and format specified in this Guidance.
8. The impact of savings proposals for 2017-18 needs to be set out so that the Mayor's duties to consult on his budget can be discharged. The Mayor requires the GLA and its functional bodies to split overall savings proposals as specified in the Guidance between cashable efficiencies and savings. It is for each member of the GLA Group to split savings between these categories however non-cashable efficiencies are to be excluded.
9. The following information on savings is to be supplied by 30 November 2016:

- ♦ The assumptions made on elements of the budget that are and are not reducible in the short term, with savings required expressed as a percentage of that reducible amount. (NB. Each member of the Group is to define 'reducible' itself. The GLA will report the savings percentages calculated separately, and will not seek to aggregate them across the Group, as this would be misleading.)
 - ♦ A brief description of the expected savings and efficiencies to be achieved in 2017-18.
 - ♦ As described above the achievement of savings targets must be split between cashable efficiencies and savings.
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- ♦ The savings should be shown in the analysis on a cumulative basis (i.e. ongoing savings should be reflected in all years) but also savings should be shown on an incremental basis (i.e. the additional net new savings to be made in each year) to transparently show the scale of new savings.

10. In addition to providing an analysis of savings, members of the Group must also outline:

- ♦ Progress in achieving efficiencies and savings agreed as part of the 2016-17 Budget including the latest available estimate of projected financial performance in 2016-17 and a comparison to the 2015-16 outturn.

Reserves and general balances

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

- ♦ A statement of policy on reserves and contingencies. Reserves held by the GLA and its functional bodies should only be used for the purpose they have been established for. Proposed allowances for contingencies should be separately identified and justified. (NB. Contingencies are defined as in the statutory budget calculations.) If no contingency is proposed, then a description and explanation as to where within their overall budget appropriate provision for contingencies has been made.
 - ♦ Details of all reserves and general balances. Budget submissions must be explicit about plans for the use of reserves. Any plans to add to reserves must be fully explained and justified.
 - ♦ An analysis and explanation of the expected movements in reserves between the start and end of each year from 1 April 2016 to 31 March 2021.
 - ♦ In the case of earmarked reserves held for purposes beyond 31 March 2018, an indication must be given as to when they are to be applied.
 - ♦ There will be a full review of the use of reserves across the Group as part of the budget process.
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Inflation factors

12. There is no specific guidance for pay and inflation rates to be used but all members of the Group will need to take account of the Government's public sector pay limits and any nationally or locally agreed pay deals. However, the GLA and its functional bodies must be able to explain their inflation assumptions (for both pay and non-pay costs) and all figures must be at outturn prices. Again, TfL are specifically requested to isolate the effects of inflation in their submission.

Robustness of estimates and adequacy of reserves

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

Public sector equality duty

14. The GLA and its functional bodies are asked to address their public sector equality duty in their budget submissions as set out in the Guidance above.

Borrowing Limits

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

Capital spending

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

Strategy/policy

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

Links to revenue budget

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

Capital expenditure

- ♦ A summary of all the proposed projects providing for each programme / project / directorate as appropriate:
 - The name / title / category / directorate / service.
 - A brief description in non- technical jargon free language without the use of abbreviations
 - For any new programmes / projects proposed, the purpose and anticipated impact
 - Total cost
 - Previous years' expenditure (in total)
 - Projected outturn and revised budget for 2016-17 and projected costs for 2017-18 to 2020-21.
- ♦ Proposed spending on common themes across the GLA group.
- ♦ Justification for any increase in capital expenditure over the relevant years.

Funding

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

Risks

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

Monitoring

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

Format of the submission

17. The GLA and its functional bodies should ensure that their budget submission is made as one cohesive document which covers all the points in this Annex and that there are no omissions. Budget submissions should be presented in a format that readily allows public scrutiny. The Mayor expects the GLA and its functional bodies to fully comply with the requirements set out in this guidance.
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