

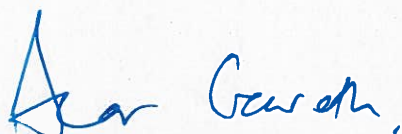
# MAYOR OF LONDON

**Gareth Bacon AM**

Chairman  
Budget and Performance Committee  
City Hall  
The Queen's Walk  
More London  
London SE1 2AA

**Our ref:** MGLA191216-7046

**Date:** 05 JAN 2017



## **Pre-Budget Report 2016**

Thank you for your letter of 19 December. I set out below responses to the recommendations in your pre-Budget report.

### ***Recommendation 1***

*To address our concerns over the transparency and quality of information in this year's budget-setting process, the Mayor should:*

- *publish the initial GLA Group budget submissions alongside the draft consultation budget*
- *set out the savings and efficiencies for the GLA and functional bodies for 2017-18 in the draft consultation budget*
- *explain how the £49 million from the core GLA's General Reserve will be used during 2017-18 in the draft consultation budget*
- *establish key performance indicators, or target outcomes, for the core GLA against which performance can be monitored – these should be in place for the Q1 monitoring report for 2017-18.*

On 16 December my Chief of Staff replied to you stating that the initial budget submission will remain as private advice to me as to not do so would inhibit future private advice that I need.

The Budget Consultation Document published on 21 December 2016 sets out the savings and efficiencies for the GLA and functional bodies for 2017-18 and later years.

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Paragraph 2.20 of the Budget Consultation Document sets out that given the need for future capital investment a new capital programme reserve will be created from funds released from the GLA's General Reserve, after taking into account amounts which may be necessary for other specific purposes. I do not intend to use these funds for recurrent revenue expenditure.

Work has begun to establish target outcomes, aligned to the GLA's programmes areas. We are aiming to consult with the Committee on these before the end of the financial year and to report against these outcomes in the Q1 2017-18 monitoring report. For some outcomes, however, it will take time to establish baselines and embed outcome measurements into contracts and grant agreements. Therefore reporting is likely to mature over 2017-18.

## **Recommendation 2**

*The draft budget should clearly set out the rationale for determining the desired level of the business rates reserve at 2017-18 year end.*

Pages 90 and 91 of the Budget Consultation Document set out the rationale for the desired level of the Business Rates Reserve. This will be kept under review as further information, including business rates forecasts from billing authorities, is received.

## **Recommendation 3**

*In response to this report, the Mayor should state whether he will introduce annual targets for delivering 90,000 new affordable homes. Targets should be in place for the 2017-18 first quarter monitoring report. The GLA should continue to publish the number of new affordable homes it completes, as well as publishing the number of new affordable home starts.*

My discussions with Government regarding the potential allocation of additional funding to London to increase affordable housing supply beyond 90,000 units are currently ongoing, and the initial bidding round for funding under my Homes for Londoners: Affordable Homes Programme 2016-21 prospectus is due to begin this month. Once these have concluded I will, in the near future, set out my approach to monitoring delivery, including information publication.

## **Recommendation 4**

*The Mayor should publish his plans for making best use of the budget for the London Housing Bank.*

I am working closely with CLG and others to look at the London Housing Bank programme and accompanying budget and how these monies could be better focused or restructured to deliver more genuinely affordable homes for Londoners. Any resulting changes or variations and plans or proposals that come from these discussions would be subject to approval under the delegation scheme, and would be published accordingly.

## **Recommendation 5**

*The terms of reference for the Mayor's review of the LLDC must:*

- *include an assessment of the LLDC's approach to transparency to date*
- *identify steps to improve transparency of the LLDC, particularly with regards to transparency of costs in its capital programme.*

I am not undertaking a review of the LLDC but have set in train a detailed investigation into the issues surrounding the London Stadium in light of the real cost of transforming the Stadium from a temporary athletics venue into a permanent venue capable of hosting football and other sporting and cultural events, and the cost of operating the venue. The investigation will cover past decisions

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relating to the Stadium, its transformation and operational arrangements taken by and/or involving a number of bodies, including government departments, the GLA, the Olympic Delivery Authority (dissolved in December 2014), the LLDC (and its predecessor body, OPLC), the London Organising Committee of the Olympic and Paralympic Games (in liquidation), and E20 Stadium LLP. Some decisions prior to the Games were reached collectively under the auspices of the Olympic Board.

LLDC complies with the Local Government Transparency Code, supports the Mayor's openness and transparency agenda and is implementing the GLA's new Corporate Governance Framework Agreement.

## **Recommendation 6**

*The Mayor should make the appointment of a new Chair for the OPDC a priority, and quickly publish a plan of key milestones for bringing forward development and regeneration at the Old Oak and Park Royal site.*

I fully agree that the OPDC needs strong leadership to ensure that the full regeneration potential for the area is delivered. With this in mind, an open and transparent recruitment process is underway, with the deadline for applications being 17 January. The first task for the new chair will be to review and publish an implementation plan for the findings of the review which will indeed set out milestones and delivery targets for the coming year and beyond.

## **Recommendation 7**

*The Mayor should set out his plans for using Growth Deal 3 in his final draft consolidated budget for 2017-18.*

Subject to discussion at the first meeting of the LEAP on 1 February, I will set out at a high level my plans for using Growth Deal 3 in my final draft consolidated budget.

## **Recommendation 8**

*As the Chair of the TfL Board, the Mayor should ensure that business cases for investment decisions are underpinned by robust forecasts. TfL should publish its:*

- *modelling for rolling out unlimited bus travel with the hopper ticket by 2018*
- *forecast for the cost of the hopper ticket in 2016-17*
- *plans for increasing bus demand and tackling road congestion.*

I am committed to ensuring TfL is functioning as efficiently as possible and that investment decisions are based on strong evidence, including business cases based on robust forecasts. TfL's Chief Finance Officer, Ian Nunn, has committed to providing the London Assembly with a comprehensive assessment of the effects of the Hopper ticket in 2017 and TfL is to provide a detailed overview of the expected impacts of the unlimited Hopper ticket before it is introduced in 2018 as part of the Mayoral Decision process.

I have outlined a comprehensive plan to reduce congestion on London's roads and improve bus reliability. This is crucial to growing bus passenger numbers which have declined over time due to increased passenger journey times and reduced reliability. TfL is focussed on reducing congestion, including timetable changes, introducing new bus priority initiatives and adjusting for traffic signal phasing.

My Transport Strategy will set out proposals to improve the reliability of existing road capacity so we can make the most of the available road space to benefit bus users, pedestrians and cyclists. It will also outline how we can learn lessons from the construction of cycling infrastructure, taking all measures possible to minimise disruption.



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## **Recommendation 9**

*TfL should publish the details of its plans for achieving efficiency savings of £800 million per year by 2020-21. TfL should include the timescales for achieving the savings set out in the business plan, and an assessment of the impact that these changes will have on TfL, including any job losses.*

My final approved Budget for 2017-18 will update the Group-wide Efficiency Plan and will include TfL's Efficiency Plan.

TfL's comprehensive organisational review is looking at reducing management layers, merging functions to eliminate duplication and reducing its reliance on agency staff. This work inevitably has an impact on staffing. For example, TfL has already implemented an exit programme that has seen 49 senior managers leave the organisation, delivering a £40m saving over the next five years. Any future changes will be subject to engagement with staff and their trade union representatives at all stages of the process, ensuring staff are supported and kept informed about all potential changes.

## **Recommendation 10**

*In his consultation budget, the Mayor should clearly set out what resources he is allocating to all of his environmental priorities, including, but not limited to, tackling air pollution and making London a zero-carbon city by 2050.*

I have set out significant environmental commitments within my manifesto, not least around air quality and carbon but also to make London a National Park City, increase greenspace and recycling. Achievement of each of these commitments will require action and the commitment of funding from organisations and individuals across London including the GLA and boroughs.

My forthcoming London Environment Strategy will set out key policies, identify areas of responsibility and the appropriate targets and milestones that will enable us to monitor progress against my manifesto commitments.

In support of this the GLA budget proposals set out £1.2m of additional funds for the Environment budget (over and above the current Environment programme budget). I have also committed at least an additional £1m of growth to support buildings retrofit programmes in London, with the Buildings Energy and Efficiency team moving from the Housing and Land Directorate into the Environment team within the Development, Environment and Enterprise Directorate to comprise part of the Energy for Londoners programme.

Activity to be funded, includes, but is not limited to:

- a) Better resource the Air Quality function within the GLA to:
  - Deliver statutory functions including monitoring of emissions;
  - Support the full range of measures announced by the Mayor to bring us to legal compliance as quickly as possible;
  - Support local action on air quality including at schools;
  - Research and develop new policy interventions, e.g. through the London Environment Strategy and London Plan, to reduce emissions from buildings;
  - Deliver an enhanced enforcement regime to reduce emissions from Non Road Mobile Machinery; and
  - Providing better air quality information to Londoners.

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- b) Supporting the manifesto commitment to get us on track to deliver a zero carbon city by 2050
- Supporting the development of Energy for Londoners, including the delivery of:
    - Statutory functions including monitoring of emissions and support for the zero carbon homes policy in the London Plan;
    - A fuel poverty and solar action plan;
    - Support for the delivery of decentralised and renewable energy;
    - Establishment of an Energy Supply company;
    - The targeting of boiler cashback at the fuel poor;
    - The delivery of Re:New and Re:Fit; and
    - The delivery of an enhanced retrofit delivery programme.
- c) Delivery of the Mayor's manifesto commitment to make London a National Park City
- Research and policy development to create a route-map to achieving the NPC commitment. This will include a review of the All London Green Grid and new London Environment Strategy and London Plan policy.
  - Funding tree planting and green space creation and improvement programmes.
- d) Support the manifesto commitment to get London back on track to achieve the 65% recycling target
- Suitably resource the Waste team to support LWARB in delivering new activity around recycling and the circular economy.
  - Working with LWARB and international partners to institute new initiatives on the Circular Economy in London including developing policy through the LES, and London Plan.
- e) Support efforts to ensure London becomes more resilient to Climate Change including through delivering projects in support of the London Sustainable Drainage Action Plan (utilising Drain London funding).

## **Recommendation 11**

*In his consultation budget, the Mayor should set out his proposals for how the Met's performance will be measured and monitored. This should include details of what outcomes he is expecting MOPAC's budget to deliver, and how local priorities will be overseen.*

The Police and Crime plan, due to be published by 31 March 2017, will include details of measurement and monitoring of performance.

As the plan's consultation made clear, I am consulting on proposals to give local areas greater control of local police priorities, ensuring that police and councils are focussed on the issues of greatest concern in their areas and that serious, high harm, high vulnerability crimes that are a priority for the whole city are not overlooked.

## **Recommendation 12**

*LFEPA should publish its plans for achieving additional efficiencies in 2018-19 and 2019-20 alongside the final LSP 2017.*

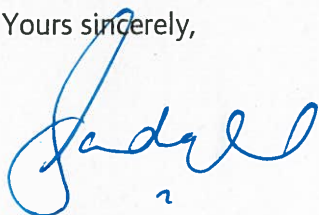
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LFEPAs future years budget is still in development. The Authority has been able this year, for the first time in many years, to make a budget submission to the Mayor that covers a four year period and which delivers a balanced budget in the first two of those years, with only a small additional saving required in year 3. As is recognised in the Committee's report, there is still a more significant budget gap in 2020-21 but it is felt that the current projections provide more financial certainty for the Authority than has been possible for some time. These projections are still being refined with a further report to the Authority due in January, and the final budget to be presented in March, alongside the final LSP 2017, which is still being consulted on.

Work will then continue to refine the projections in each subsequent year as part of the ongoing budget process. This will include monitoring the delivery of the savings already agreed, as well as developing new proposals, including piloting proposals, based upon the key themes and deliverables set out in the LSP. The projections that inform the savings targets, the most significant of which are the pension pressures expected following the next actuarial valuation of the fire fighters pension scheme, will also be refined as more information becomes available.

As indicated at your Committee's meeting on 4 January, a comparative analysis of the Capital Programme in TfL's March 2016 and December 2016 Business Plan will be provided. However, in order not to delay this response, this will be sent to you shortly.

Yours sincerely,



**Sadiq Khan**  
Mayor of London

Cc: David Bellamy, Chief of Staff  
Martin Clarke, Executive Director of Resources, GLA  
David Gallie, Assistant Director – Group Finance, GLA  
Lucy Pickering, Scrutiny Manager, Assembly