

MAYOR OF LONDON

The Mayor's Budget Guidance for 2018-19

13 June 2017

CONTENTS

Executive Summary of the Mayor's Budget Guidance for 2018-19	3
1 Introduction	5
2 Strategic policy aims and objectives	6
3 Budget proposals	6
4 Control Totals	7
5 Final Budget Submission	9
6 Financial planning guidelines	10
7 Review process	10
8 Capital	11
9 Reserves	11
10 Efficiencies	12
11 Equality, diversity, inclusion, social mobility and social integration	12
12 Collaborative Procurement	13
13 Managing the budget process	14
14 Dialogue with budget consultees and contacts	14
Annex A Budget Timetable	15
Annex B Quarterly Monitoring Reports	16
Annex C Financial information	17

Executive Summary of the Mayor's Budget Guidance for 2018-19

I set out below my Budget Guidance for next year's budget.

At the time of writing this guidance there remains uncertainty about the level of funding the GLA and its functional bodies will receive in future years. Specifically:

- The Government will announce its new Spending Plans, probably in the Autumn, and in particular the outcome of the ongoing police funding formula review is uncertain;
- There remains a high degree of challenge in forecasting business rates income due principally to the impact of the 2017 revaluation and the impact of a proposed 100% business rates pilot for London in 2018-19; and
- The impact of negotiations for the U.K. to leave the European Union.

The outcome of all of these issues will not be known or fully resolved until sometime after the 2018-19 budget is set and the impact of business rates appeals and further devolution of business rates are likely to remain ongoing features of the system.

Despite these uncertainties, I recognise the need to start planning ahead for next year's budget and wish to clarify my intentions in order that the GLA and its functional bodies have the maximum time to develop their proposals.

To begin this process, I propose that the GLA and its functional bodies should assume for their budget planning that their allocation of discretionary revenue income and Capital Programme control totals for future years will be as set out in my agreed 2017-18 Budget, with one important exception.

Keeping Londoners safe is my top priority and I have sought to do I what I can to maintain financial support to the Met. However, I only control just over 20% of the Met's funding, with the rest in the gift of the Government. I continue to argue for London's fair share of police funding nationally but I fear the Government will be looking to cut the Met further. Current Home Office policy is to reduce police funding each year and that a council tax increase should be implemented to fill the gap. So, reluctantly I increased the police precept by 1.99% in 2017-18 and if this Government policy remains in place, I assume it will be necessary to increase the police precept by this same amount for the future years of my first administration.

My detailed Budget Guidance sets out more details of the 2018-19 Budget process but I would like to emphasise two points.

First, I have reflected on the Assembly's detailed comments on last year's budget process and I have instructed the GLA and its functional bodies to set out greater detail on savings and efficiencies and changes to their Capital Programme.

Second, I wish to improve the timeliness and quality of quarterly monitoring across the Group and have set out new requirements for the GLA and its functional bodies.

This is both to oversee the delivery of agreed budgets and also to ensure a continued focus on delivering savings and efficiencies in order to maximise the funds available for delivering my policy priorities.

I will issue preliminary draft budget proposals in November for consultation with the GLA and its functional bodies and I expect a full submission from all members of the Group, including all the new requirements set out, in accordance with my guidance. Once I have reviewed these submissions, they will 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.

In summary, my Budget Guidance will be challenging for the GLA and its functional bodies to implement. Broadly speaking control totals are flat across the Group whilst inflation and other spending pressures grow, and substantial efficiencies and savings are required. It is therefore vital that the resources we do have are used to their best possible effect so that we can build on the achievements of my first year in office.

Sadiq Khan
Mayor of London
13 June 2017

1 Introduction

- 1.1 The GLA Group 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 2018-19 Budget.
- 1.2 The 2018-19 budget process in summary requires the GLA and its functional bodies to:
- prepare their 2018-19 budget submissions on the basis set out in this Guidance;
 - improve the timeliness and quality of quarterly budget monitoring information to help inform the Mayor's deliberations on his budget;
 - work on the basis that control totals for revenue and capital spend set out in this Budget Guidance are likely to be the preliminary draft budget proposals that the Mayor will issue for consultation;
 - make a full and final budget submission to the Mayor by Wednesday, 29 November 2017 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 2017; and
 - engage with the Assembly as it considers the Mayor's statutory budget proposals from then until late February 2018.
- 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 addition, as the Government announces its Settlements for parts of the GLA Group 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.

3 Budget proposals

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

- ◆ Within 25 working days of each quarter end, to supply a quarterly budget monitoring report and that within 10 additional working days thereafter to make the monitoring report publicly available.

and

- ◆ By Wednesday, 29 November 2017 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 Mayor requires that the GLA and its functional bodies improve the timeliness and quality of information in their quarterly monitoring reports. Accordingly, within 25 working days of each quarter end a quarterly budget monitoring report is to be supplied to the Mayor. Further, within 10 additional working days thereafter each member of the Group is to make that monitoring report publicly available. The content and format of the quarterly monitoring reports is to be determined by each member of the Group in consultation with the Mayor's office, but will be expected to cover the issues specified in Annex B below. In particular, the aim would be that all quarterly monitoring reports would within a year include both financial and performance information.
- 3.3 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. The indicative allocation of resources set out above continues the 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).
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- 3.4 The quarterly monitoring reports issued after 35 working days from the quarter end and the full budget submission due at the end of November will be public documents. The quarterly monitoring reports are intended to be the information supplied to the Assembly's Budget Monitoring Sub-Committee at its regular meetings.
- 3.5 High-level meetings between the Mayoral team and the GLA and each of its functional bodies to consider the quarterly monitoring reports have been or are being scheduled. These will include discussion of progress with identifying and realising efficiencies and savings as well as potential future variances from budget. Regular officer meetings between the GLA and each functional body will be held to discuss the budget process and to advise of any subsequent developments and resolve any queries that might arise.
- 3.6 The final budget submission is expected to allow a financially balanced budget for 2018-19 to be set within the funding envelope specified.

4 Control Totals

- 4.1 The Mayor proposes that the GLA and its functional bodies should assume for planning purposes that their:
- allocation of discretionary revenue income from the Mayor for 2018-19 and future years over this Mayoralty is as specified below; and
 - Capital Programme will at an aggregate level be as specified in the Mayor's agreed Budget set in February 2017 as detailed below.
- 4.2 Set out below are indicative control totals for the discretionary funding controlled by the Mayor for 2018-19 for the GLA and each of its functional bodies – this being retained business rates, council tax precept income and Group wide reserves and excludes Government grants paid for the specific purposes of the GLA or functional bodies such as Home Office police grants. The control total for MOPAC assumes, as expected by the Home Office, that the police precept increases by 1.99% in 2018-19 and future years, together with proportionate increases in assumed levels of Council Tax buoyancy to compensate for reductions in Home Office grant funding. The TfL control total includes £976 million of retained business rates relating to its former capital investment grant which the Mayor intends should be applied for capital purposes as well as £6 million of council tax funding. LLDC funding figures are for core activities and exclude any funding relating to capital financing costs. OPDC funding figures are for core activities and exclude any contingency provision held by the GLA.
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Discretionary Mayoral Funding Control Totals (all 2018-19 / £millions)	Total
GLA: Mayor	138.7
GLA: Assembly	7.4
MOPAC	645.0
LFEPAC	382.4
TfL	1,836.3
LLDC	16.8
OPDC	6.8
Total	3,033.4

4.3 Set out below for planning purposes is an aggregate control total for Discretionary Mayoral funding resources for 2019-22 for the GLA and each functional body:

- GLA: Mayor: £138.8m for 2019-20 and £139.6m for 2020-21 and 2021-22. The GLA numbers reflect the cost of GLA services only and not contributions to LLDC and OPDC. The GLA figures do not reflect those financial elements accounted for with this component budget that relate to the wider GLA group budget (e.g. council tax and business rates transactions and the Business Rate Reserve);
- GLA: Assembly: £7.4 million for each of the three years from 2019-20 to 2021-22;
- MOPAC: £669.8 million in 2019-20; £695.6 million in 2020-21 and £722.5 million in 2021-22 which in accordance with Home Office policy includes an assumed increase in the police precept of 1.99% each year, together with an annual 2% increase in assumed levels of Council Tax buoyancy;
- LFEPAC: £382.4 million for each of the three years from 2019-20 to 2021-22;
- TfL: £1,853.3 million for 2019-20; £1,870.3 million for 2020-21 and 2021-22 – assuming its precept share is maintained at £6 million and the capital element of its allocation is uprated in line with the settlement agreed with the Department for Transport;
- LLDC: £16.8 million for 2019-20 and £16.0 million for 2020-21 and 2021-22 (excluding GLA funding for capital financing costs); and

- OPDC - £6.8 million for each of the three years from 2019-20 to 2021-22 (excluding any contingency provision held by the GLA). In view of OPDC's current early stage of development, these control totals will be kept under review as the budget process develops.

4.4 Set out below is a control total for the level of capital expenditure between 2016-17 and 2020-21 for the GLA and its functional bodies. These figures reflect the Capital Plan agreed by the Mayor in February 2017 (NB. figures for 2016-17 are included to ensure that any slippage can be brought forward into the control totals). More detail is set out in section 8.

(all £'ms)	Control Totals for Capital Programme 2016-17 to 2020-21
GLA: Mayor	5,802.7
MOPAC	1,415.6
LFEP A	186.4
TfL	13,447.0
LLDC	836.0
Total	21,687.7

5 Final Budget Submission

5.1 The final budget submission to be submitted by 29 November must:

- ♦ Cover at least the period 2018-19 to 2021-22.
- ♦ 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 2017.

- 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 when the Mayor issues his preliminary budget proposals in November or when he issues his Budget Consultation Document in December or, if necessary, when he issues his final draft consolidated budget in February.
- 6.2 The GLA: Mayor's revenue submission should set out details of the GLA's core services, and not include the items that will be accounted for within the final GLA Group Items budget i.e. the Business Rates Reserve; Council Tax and Retained Business Rates transactions; and funding for the LLDC and OPDC.
- 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 and responses to the Assembly's proposals to improve the budget process.
- 6.4 LLDC's and OPDC's revenue budgets should be prepared in accordance with the revenue control totals set out above.

7 Review process

- 7.1 The planning guidelines will be kept under review in light of the 2016-17 outturn and any indication that Government funding already announced might change. Further guidance may be issued once the collection of retained business rates in 2016-17 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. This Budget Guidance requests that the GLA and its functional bodies integrate their capital and revenue planning together in their quarterly monitoring reports and final budget submission. 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 2018.
- 8.2 It is important that proposed changes to capital spending plans are in accordance with the Mayor's priorities whilst ensuring they are affordable and the revenue implications are fully built into the revenue budgets.
- 8.3 The GLA and its functional bodies are accordingly asked to specifically provide an explanation and reconciliation of the movement in the control totals specified for capital set out in section 4, to their proposed new capital programme to be included in the Mayor's 2018-19 Budget. This is to ensure that inevitable changes in the profile of capital spend are fully set out.
- 8.4 The GLA and functional bodies are expected to achieve an average of 50 per cent affordable housing on any new development sites brought to market since May 2016, subject to service-specific statutory responsibilities. Their financial assumptions underpinning their disposals programme, if any, should fully reflect this expectation. In addition, issues arising from assumptions about the receipt of Affordable Housing Grant from the GLA to support the development of disposed sites and the delivery of best value from disposals need to be specifically addressed.
- 8.5 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.
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- 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. Specific and additional requirements on the level and detail of information on efficiencies and savings that the Mayor requires are set out in Annex C.
- 10.2 The Mayor submitted an Efficiency Plan on behalf of the GLA and its functional bodies which has secured a commitment from the Government to maintain the existing funding levels assumed in this Budget Guidance. The Mayor's final agreed budget for 2018-19 will become the GLA Group's revised Efficiency Plan.

11 Equality, diversity, inclusion, social mobility and social integration

- 11.1 Equality, diversity, inclusion, social mobility and social integration are all high priorities for the Mayor. The Mayor will publish a Diversity and Inclusion Vision shortly. This builds on his manifesto commitments and A City for All Londoners. It sets out the direction of travel, suggests priorities for consultation and acts as a call for evidence of need, inequalities and what works.
- 11.2 A steering group, chaired by the Deputy Mayor for Social Integration, Social Mobility and Community Engagement and with representation from all the GLA Group, has been overseeing the development of the vision. Later this year, a complete, future-focused, Diversity and Inclusion Strategy will be published. The new strategy will go beyond meeting our statutory equality obligations and the nine protected characteristics set out in statute.
- 11.3 All members of the GLA Group will be involved in developing actions to be undertaken in 2018-19 towards the final objectives that will be identified in the new strategy. Budget proposals will need to ensure sufficient resourcing and budget necessary for the efficient and effective delivery of each of the actions. All members of the GLA Group will also need to assess their budget proposals against the wider priorities of how they will affect poverty, economic inequality and social integration in London, as well as the impact of proposals on specific protected groups.
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- 11.4 Accordingly, each Chief Finance Officer must ensure that he or she work closely with colleagues in their functional body who are working on objectives within the Diversity and Inclusion Strategy and social mobility and social integration programmes. In particular, the Chief Finance Officer must ensure that the relevant content in their final budget submission is cleared by his or her colleagues in their functional body who are working on the Diversity and Inclusion Strategy. This content will then be reflected by the Mayor in his Budget Consultation Document which is due to be published in mid-December.
- 11.5 In the meantime, the GLA will develop the detailed statement in relation to this area of work that the Mayor will publish as part of his draft budget proposals in the new year. Additional guidance and information may be requested from GLA Finance and relevant GLA Group officers, to assist the preparation of this statement once your final budget submission is made.
- 11.6 If you have any queries about this area of the GLA's work, please contact Amanda Coyle, Assistant Director of Health and Communities (amanda.coyle@london.gov.uk).

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. This complements the national collaborations that may exist for each functional body. The GLA Collaborative Procurement Team secured total gross cashable savings of £4.2 million in 2016-17 and from projects currently underway or planned has identified a further £13.3 million of gross cashable savings over the period 2017-18 to 2020-21. The GLA Group Collaborative Procurement Board (the Board) is currently investigating areas of common and higher complexity procurement categories in order to identify further saving opportunities.
- 12.2 The delivery of savings is being monitored through the Board. If it is considered that a functional body is not making sufficient progress to realise the anticipated savings from its approach to 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.

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, and proposals for the further devolution of business rates which will require an even more active dialogue with businesses, 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. The Budget and Performance Committee will be requesting information at key stages of the 2018-19 Budget process and there will be a requirement for members and officers of each functional body to attend Committee meetings as appropriate. However, the new arrangements for quarterly budget monitoring reports should assist the Assembly's Budget Monitoring Sub-Committee's deliberations.
- 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
9 June 2017	Mayor's Budget Guidance issued.
9 June – 29 November 2017	Budget preparation by the GLA and its functional bodies.
Late July – early September 2017	Monitoring reports for 'quarter 1' to be supplied within 25 working days of quarter end. These quarterly monitoring reports to be generally publicly available after a further 10 working days.
Late October – mid November 2017	Monitoring reports for 'quarter 2' to be supplied within 25 working days of quarter end. These quarterly monitoring reports to be generally publicly available after a further 10 working days.
November 2017	Preliminary draft budget proposals prepared and issued for consultation with the GLA and its functional bodies.
29 November 2017	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 2018-19 Budget as specified in this Guidance and at Annex C.
Mid-December 2017	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 2018	Assembly to consider draft consolidated budget.
22 February 2018	Assembly to consider final draft consolidated budget.
28 February 2018	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.

Annex B

Annex B Quarterly Monitoring Reports

The format and content of quarterly monitoring reports is for the GLA and each functional body to determine.

Initially the Mayor expects that the GLA and functional bodies would present the information currently produced within the tighter deadlines set. However, as this process beds down the Mayor would expect the quality of the format and content to develop to reflect the requirements of users of the reports and to include both financial and performance information. In particular, the Mayor expects details of progress against the delivery of budgeted savings and efficiencies and against the approved Capital Programme to be highlighted.

Quarterly monitoring reports are to be sent to David Gallie, Assistant Director – Group Finance 25 working days after each 'quarter end'.

The GLA and functional bodies are to make the quarterly monitoring reports publicly available generally 35 working days after each 'quarter end'.

(NB. 'Quarter end' is to be defined by each member of the GLA Group as there are different financial periods used by different members of the Group. However, the financial period chosen should be the nearest to the calendar date for each quarter (i.e. 30th June, 30th September etc.).

It is proposed that the reports are made publicly available 35 working days after the 'quarter end'. However, this may present some clearance issues for certain members of the Group. In such circumstances and to ensure that the report has gone through an appropriate governance process, the 35 working days may be slightly delayed. However, the discipline of ensuring that a report is made to the Mayor within 25 working days of the 'quarter end' remains an absolute requirement. Further, the Mayor expects that where a functional body might have any clearance issues, these could be satisfactorily resolved with the relevant non-Executives so that the 35 working day deadline should be generally met across the Group.

Annex C

Annex C Financial information

Required by 29 November 2017 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 2018-19 to 2021-22, with comparative figures for the 2017-18 Budget or forecast outturn whichever provides the most meaningful comparison, and actual 2016-17 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 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 2017-18, 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 2017-18, 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 – see additional detail below;
 - ♦ 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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Annex C

Subjective analysis

4. A subjective analysis must also be submitted covering the four-year plan period 2018-19 to 2021-22, including a comparison with 2017-18 figures.

New initiatives and service improvements

5. A clear distinction must be made between the full year effects of new activities approved in 2017-18 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 2018-19 to 2021-22. 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 2018-19 within the funding envelope and format specified in this Guidance.
8. The impact of savings proposals for 2018-19 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 29 November 2017:

- ♦ 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 description of the expected savings and efficiencies to be achieved in 2018-19 and later years. A sufficiently detailed description needs to be supplied so that the Mayor can fully understand the impact of the savings or efficiency proposal over the whole period.
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Annex C

- ♦ As described above the achievement of savings targets must be split between cashable efficiencies and savings.
- ♦ 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 2017-18 Budget including the latest available estimate of projected financial performance in 2017-18 and a comparison to the 2016-17 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 2017 to 31 March 2022.
 - ♦ In the case of earmarked reserves held for purposes beyond 31 March 2019, 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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Annex C

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.

Equality, Diversity, Inclusion, Social Mobility and Social Integration

14. The GLA and its functional bodies need to ensure that the detailed guidance at paragraph 11 of the Budget Guidance on Equality, Diversity, Inclusion, Social Mobility and Social Integration is fully complied with.

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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Annex C

- ♦ 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 2017-18 and projected costs for 2018-19 to 2021-22.
- ♦ 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).
- ♦ Impact of changes of HPI and TPI on levels of receipts and expenditure.

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

17. A detailed reconciliation between the capital control totals specified in this Guidance for 2016-17 to 2020-21 to the proposed new capital programme for 2017-18 to 2021-22 needs to be supplied. This should show any slippage, particularly for 2016-17, and the impact of the additional year, 2021-22, being added to the Mayor's Capital Plan. The purpose of this reconciliation is to provide an explanation of variances that inevitably occur to the profile of capital spend so that changes are fully set out.

Format of the submission

18. 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.
 19. Final budget submissions are to be sent to David Gallie, Assistant Director – Group Finance, by no later than 12 noon on Wednesday, 29 November.
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