LONDONASSEMBLY

Budget and Performance Committee

Pre-Budget Report 2014

December 2014

Budget and Performance Committee Members

John Biggs (Chairman)	Labour
Stephen Knight (Deputy Chair)	Liberal Democrat
Gareth Bacon	Conservative
Darren Johnson	Green
Joanne McCartney	Labour
Valerie Shawcross	Labour
Richard Tracey	Conservative

About the Budget and Performance Committee

The Budget and Performance Committee scrutinises the Mayor's annual budget proposals and holds the Mayor and his staff to account for financial decisions and performance at the GLA. The Committee takes into account in its investigations the cross cutting themes of: the health of persons in Greater London; the achievement of sustainable development in the United Kingdom; and the promotion of opportunity.

Contact:

Steve Wright
email: steve.wright@london.gov.uk
Tel: 020 7983 4390

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Chairman's foreword

The Mayor's budget for 2015-16 will once again ask the organisations of the GLA Group to maintain service levels while making major savings. It is not easy, and it is going to get even harder as their budgets are squeezed further. It seems clear that more cuts are coming, regardless of the outcome of the general election next May, and it is now a question of how much will be cut, and how quickly. The need to make savings can provide a strong incentive to reform, reorganise and improve. But at some point, the nature or quality of public services may have to change fundamentally to stay within budget.

In some respects, the Mayor has protected parts of the GLA Group from cuts to Government funding. For example, he has promised to provide additional support to the London Fire and Emergency Planning Authority (LFEPA) in 2015-16. This has provided LFEPA with some breathing space, but it will still face significant financial pressure the following year unless more funding is made available, or further reforms are made. It will be increasingly difficult for LFEPA to maintain its present level of service, and – while LFEPA has so far managed to keep its response times within target – another round of fire station closures could make this impossible.

The Metropolitan Police Service is already going through huge reform, and, together with the Mayor's Office for Police and Crime (MOPAC) has started to look ahead to what London's police service might look like in 2020. This is sensible planning, and should help decision-makers look past the Mayoral election in 2016 to prepare the Met for a sustainable future.

We all expect the Met's future will include further cuts to its budget. In recent years it has met its savings targets by underspending on its staff costs, but this will not be an option while it increases officer numbers to 32,000 next year. And the general consensus is that this headline number cannot be maintained for long in any case. Furthermore, we continue to argue that the debate needs to focus on how the Met makes best use of its budget – fetishising a headline number is unhelpful, and limits the Met's options to reform and save money. To help limit the impact of cuts on the front line, the Met needs to make better use of its Operational Policing Model (OPM) data, and maximise the number of officers in visible roles. It is also vital that the Met implements its technology strategy properly to save money and make its officers more effective.

The Met's property rationalisation programme is generating more capital receipts than expected. In the last few days the Mayor announced the sale of New Scotland Yard for £370 million – some £120 million more than the guide price. This extra money will help the Met to invest in its other reform programmes, particularly technology.

The London Legacy Development Corporation (LLDC) is also benefitting from rising land prices in London. We were concerned to hear, however, that the LLDC will use some of these extra receipts to meet the cost overruns on the Olympic Stadium redevelopment. It would be much better if any unexpected surpluses were made available to help achieve the LLDC's regeneration and convergence objectives, or for other Mayoral priorities such as affordable housing.

Progress is accelerating on the construction of affordable homes before the new target of December 2015. We are concerned, however, that only four or five thousand new affordable homes are currently planned for 2015-16. We are also concerned about the small proportion of family-sized affordable homes that are currently being built. We recognise that the Mayor and GLA do not operate in a vaccum: Government funding requires a certain number of homes to be built, and it is obviously cheaper to build smaller homes to meet that target. But the focus should surely be on how many people can be housed with the funding available, not just how many units can be built.

In terms of encouraging jobs and growth, Transport for London (TfL) has become one of the Mayor's main tools since the abolition of the London Development Agency (LDA). While it is clear that the Mayor quite properly believes that transport investment is one of the key public interventions to facilitate growth, this does not mean that transport spending on non-core transport projects, however desirable, should not be challenged. It must clearly be the primary purpose of fare-payers to fund their core transport services. It is apparent that the absence of regeneration funds at City Hall, post-LDA, combined with performance and delivery issues with the London Enterprise Panel, has presented a repeated challenge when funding is sought for worthwhile economic development projects, the Garden Bridge being just the most recent such challenge. This is an issue that will grow in importance and not go away.

Over the coming years, extensions to the Northern Line (to Battersea) and Overground (to Barking Riverside) will unlock new growth areas. And the opening of Crossrail from 2017 will make it quicker and easier for many more people to travel to, and work in, London. Looking further ahead, it is also easy to imagine a future Mayor calling on TfL's capital budget to help kick-start development work on the Old Oak Common site where, unlike the Olympic Park, the GLA Group owns none of the land and cannot fund investment through capital receipts. TfL may instinctively resist this kind of interference, but any Mayor should make best use of the resources available across the GLA Group. It is significant that TfL is starting to include economic benefits in its investment appraisal process. This should help improve decision making so that TfL's limited resources can be used to best effect.

The imminent introduction of a daily cap on Pay As You Go fares looks like a good way of reducing travel costs for part-time workers – an increasingly important part of London's labour force. This Committee was one of several groups calling for the Mayor to take such a step, and we are pleased that he has listened, and that TfL has responded. The Mayor and TfL can do more to use TfL's fare structure to target other groups that would benefit from similar help, so it is important that TfL monitors the effects of this change and learns lessons for the future.

The decision to limit the average increase in TfL's fares to 2.5 per cent in January 2015, rather than the planned 3.5 per cent, will give some relief to passengers. This is the second year running that fare increases have been pegged to inflation. And, like last year, the Government has committed to offsetting the lost fare revenue for the year. It must be said, however, that the lost revenue doesn't just happen in one year – it has a knock-on effect in all future years too. We calculate that TfL will therefore have to find an additional £351 million over the next ten years, either from more efficiency savings, cuts, or extra commercial income.

It is clear that the GLA Group continues to face significant financial pressure. So far, savings have been achieved with minimal impact on the quality of services, and the efforts of all those responsible need to be recognised. It is not easy to guide large, complex organisations through such profound periods of change. The challenges, however, are set to become even tougher over the coming years as budgets continue to be cut. This report attempts to set out the key challenges and issues facing the GLA Group in 2015-16 and beyond, and we hope that Members find it useful ahead of the Assembly's scrutiny of the Mayor's 2015-16 budget.

John Biggs AM, Chairman of the Budget and Performance Committee

1. Introduction

Key Issues

The shift in the main source of GLA funding from Government grants to retained business rates presents the GLA with inherent uncertainty for its forward planning. And the need to keep finding new savings will be increasingly challenging for the GLA Group to manage. It is vital, therefore, that the best evidence is collected and used to underpin policy decisions.

1.1 The 2015-16 budget is this Mayor's penultimate budget, and is the last one that will exclusively cover his term of office. Decisions that he is taking now will therefore affect what happens in the early years of the next Mayoralty. For example, the Mayor's housing covenant, with £380 million of funding still to be allocated, will affect affordable house-building to 2018. And the Mayor's decision to cut the council tax precept by six per cent in 2016-17 limits the next Mayor's income from this source for years to come: following the Localism Act 2011, the GLA would have to hold a referendum if the Mayor wanted to increase council tax by more than a level set by the Government – currently two per cent.[1]

Funding and risks

1.2 The nature of the GLA's funding is changing, and this will bring new risks for the GLA to manage. The most significant change took place on 1 April 2013 when the way that business rates income is distributed between local authorities was reformed. Under the new system, the GLA receives 20 per cent of the rates income collected in London, 30 per cent is retained by the boroughs, and the remaining 50 per cent is returned to the Government. Approximately 85 per cent of the GLA's share is earmarked for TfL, with smaller sums budgeted for LFEPA and the core GLA. This funding replaces direct grant funding from Government, and will be worth some £1 billion in 2015-16.[2]

1.3 The local retention of business rates income reduces the GLA's risk of cuts to Government grant funding. This is helpful, and is in line with the Assembly's support for fiscal devolution. Indeed, in light of the

[1] The Mayor's budget guidance for 2015-16, July 2014, page 2. Band D council tax will be cut from £295 in 2014-15 to £276 in 2015-16.

[2] GLA, The GLA consolidated budget and component budgets for 2014-15, pages 53-63.

Government's intention to devolve a variety of tax and borrowing powers to Wales, Scotland and Northern Ireland, the arguments for further fiscal devolution to London seem stronger than ever.[3] It seems likely that a larger share of business rates income will be retained locally during the next Parliament.[4] This could see the GLA receive £1.5 billion through this route, giving future Mayors greater scope to allocate funding across the GLA Group.

1.4 Although locally-retained business rates reduce the risk from Government funding decisions, they create risks and uncertainty for the GLA – particularly through the impact of appeals from businesses. The GLA's start-up funding in rates retention was £944 million in 2013-14, but it currently expects to receive £80 million less than this, mainly because of appeals made before April 2013 but still working through the system. The GLA is working on an assumption of business rates growth of 1 per cent each year. This, plus inflation, would give the GLA an additional £38 million in 2014-15 and more in later years, allowing it to eliminate its 2013-14 deficit by early 2016-17.[5] In 2017, however, the next revaluation will take effect, leading to a new round of appeals and further volatility for the GLA. And the Government's recent announcement that it will review the whole structure of business rates before spring 2016 introduces a new uncertainty for the GLA.[6]

1.5 The GLA is dependent on a small number of London boroughs for most of its business rates income. In 2013-14, it received half of its business rates income from four boroughs, and almost a quarter came from Westminster alone. Those boroughs can therefore have a disproportionate effect on the GLA's planning and its business rates income – for example, the quality of their forecasts, their ability to collect the rates, and how they account for their income. A late change in how the City of London (the third largest contributor of business rates to the

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[3] Including the Wales Bill currently in Parliament, the Smith Commission on Scotland, and plans to devolve corporation tax rate setting to Northern Ireland.

[4] David Gallie, GLA Assistant Director, Group Finance, speaking to the Budget Monitoring Sub-Committee, 16 July 2014.

[5] Martin Clarke, GLA Executive Director of Resources, speaking to the Budget and Performance Committee, 20 November 2014.

[6] HM Treasury, Autumn Statement 2014, December 2014, paragraph 1.161.

GLA) accounted for its income resulted in the GLA's income for 2013-14 falling by £11 million.[7]

1.6 The growth in business rates income over the coming years is, however, unlikely to fully offset the cuts in Government funding that are expected. For example, LFEPA expects its funding to be cut by £21.3 million in 2015-16, but see an increase in business rates income of just £1.8 million. The Mayor will therefore have to provide an additional £19.5 million to maintain LFEPA's overall funding at £382 million.[8] And funding cuts are going to continue for years to come. The Institute for Fiscal Studies has calculated that the budgets of "unprotected" government departments (which would include funding for transport, the police and the fire service) are planned to fall by 41 per cent in real terms between 2010-11 and 2019-20.[9] The next Mayor will therefore have to deal with cuts in Government funding – regardless of who is in power – for much of their term of office. The Met, for example, told the Assembly that it expects to have to find another £800 million in savings from 2015-16 to 2019-20 (compared to its annual budget of £3.2 billion in 2015-16).[10]

Savings

1.7 The GLA and its functional bodies are going to find it increasingly difficult to keep making savings without affecting the level or nature of services they provide. The Met and LFEPA are already going through major reform programmes that have seen police and fire stations closed to achieve savings on running costs. Further reforms will add more complexity and risk, but they seem inevitable given the scale of budget cuts yet to come.

1.8 Making budget cuts without reducing staff will become even more challenging over the next few years. The largest single item of expenditure for these organisations is staff costs. And where it is difficult to reduce the size of the workforce because of political commitments (police officer numbers) or employment rights (firefighters), it will become increasingly difficult to find the necessary savings from other

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[7] The City of London increased its provision for business rates appeals by £55 million, resulting in an £11 million impact on the GLA's income. See External Auditor's GLA and GLA Group Audit Results Report 2013-14, page 10.

[8] LFEPA paper FEP 2337, Budget Update, 27 Nov 2014, paragraph 4.

[9] Institute for Fiscal Studies, Alternative choices over the future spending squeeze, 4 December 2014. This is the IFS's analysis of the Government's Autumn Statement 2014.

[10] Sir Bernard Hogan-Howe, Met Commissioner, speaking to the London Assembly Plenary, 9 December 2014. £3.2 billion was MOPAC's planned gross revenue budget for 2015-16 as per the GLA consolidated and component budget 2014-15, page 23.

areas of expenditure. As we discuss further below in chapter 6, maintaining police officer numbers at 32,000 may not be feasible (or even desirable) for the next Mayor.

1.9 As the number of options to find internal savings diminishes, functional bodies may need to look at more radical solutions to operating within reducing budgets. Greater collaboration and integration between the emergency services is one of these options that is already being examined. In September, the Met told us about work underway with the fire and ambulance services to examine the scope to share control centres, and to cooperate on facilities management and procurement.[11] In recent years, however, we have seen how difficult the functional bodies have found it to implement shared service arrangements that generate real savings.[12] We have not seen anything to persuade us that the Met and LFEPA will make significant savings from greater integration over the next few years.

Evidence

1.10 As funding reduces, it becomes even more important that policy and spending decisions are based on the best possible evidence. The money that is available has to be spent in the most efficient and effective way to ensure that services do not deteriorate. To do this, robust data has to be used in creating policies and monitoring their impacts. Generating, collecting and analysing data costs money, and should be done as efficiently as possible. But resources do need to be made available for this sort of work. Done properly, it will more than pay for itself.

The quality of data varies significantly across the GLA Group, and needs to be brought to a consistently good level if decision making is to improve. The following three examples illustrate how good quality data – or the lack of it – can affect performance:

- LFEPA collects large amounts of performance data, including detailed statistics on response times at borough and ward level. These allow LFEPA – and the public – to see how quickly the fire service is responding to emergency calls. They were also crucial in helping LFEPA to model the changes resulting from the Fifth London Safety Plan. LFEPA is now tracking actual performance against the modelling to monitor the impact of those changes. And the public is

[11] Craig Mackey, Met Deputy Commissioner, speaking to the Budget and Performance Committee, 11 September 2014.
[12] See, for example, the Committee's Pre-Budget Report 2013, pages 29-30.

able to hold LFEPA to account where performance is falling below what had been predicted.

- Our recent work on TfL's sponsored transport schemes found that TfL's forecasting had significantly overestimated demand for the cycle hire scheme and Thames cable car. We also found that TfL was only starting to factor in the economic benefits from its investments into its appraisal process. Since economic impacts are increasingly being used to justify investment decisions, it is important that TfL fully captures all the relevant costs and benefits. Improvements to TfL's forecasting and business case methodology would help TfL to make more informed decisions, and increase the value for money of its capital programme.

- The Met's recorded crime statistics – along with those from police services around England and Wales – have been heavily criticised, and lost their "National Statistic" designation from the UK Statistics Authority in January.[13] Until the quality of this data improves, it will be difficult to assess the true nature of crime in London, and the impact of the Met's work to meet MOPAC's 20:20:20 challenge.[14] Additional indicators of performance are needed, and we therefore ask MOPAC to publish the results from its quarterly Public Attitudes Survey on the London Datastore.

Transparency

1.11 The improvements in transparency that have been made in the GLA Group in recent years should now be extended more widely. Following significant pressure from the Assembly – and with the recent backing of the Mayor – the GLA Group is becoming a more transparent set of organisations. The publication of TfL's advice to the Mayor for his annual fares decision, TfL's major contracts, and more detailed GLA housing statistics have helped improve transparency and accountability. But more still needs to be done. For example, our examination of the Mayor's New Year's Eve fireworks event has been hampered by the GLA's refusal to publish details of its contract with the event management company. It would appear that not all parts of the GLA Group are living up to the commitment made by the Mayor last year:

[13] UK Statistics Authority, Statistics on Crime in England and Wales, January 2014, paragraph 1.2.5.

[14] Over the four years from 2013-14 and 2015-16, to reduce costs by 20 per cent, cut seven key crimes by 20 per cent, and improve public confidence in the Met by 20 per cent.

Where these are not already included, all GLA Group bodies will be introducing transparency clauses to their standard contractual terms at the first available opportunity.[15]

1.12 London & Partners (L&P) is the clearest example of an organisation within the wider "GLA family" that the Assembly has been unable to scrutinise as it would have wished. This year – as in previous years – the Assembly had to vote on the GLA Group budget (which includes funding to L&P) without being able to examine L&P's business plan in advance. And L&P recently refused to provide the GLA Oversight Committee with details of its senior employees' remuneration – a fact that clearly surprised the Mayor, who said that he could "see no reason at all why they should not be disclosing their salaries". This refusal was despite the GLA providing over two-thirds of L&P's funding for 2013-14, worth some £12 million. Organisations, such as L&P, that receive significant amounts of funding from the GLA should be required to meet the standards of transparency that apply to the GLA Group.

Recommendation 1

Starting from the first quarter of 2015-16, MOPAC should publish the full results of the Public Attitudes Survey on the London Datastore each quarter.

Recommendation 2

The Mayor must make the GLA's 2015-16 funding to organisations such as London & Partners dependent on them signing up to the same standards of transparency as applies to the GLA Group. This would apply to organisations where the GLA has a material interest, for example where:

- The GLA provides funding of 50 per cent or more of an organisation's gross revenue budget
- The Mayor or GLA has the power to appoint the Chair or members of the Board

[15] Response from the Mayor to the GLA Oversight Committee report, Transparency in the GLA Group, September 2013.

Recommendation 3

For these organisations, the GLA should make funding from the 2016-17 budget round onwards dependent on them publishing their business plans by the end of December in preceding financial years to assist the Assembly's scrutiny of the Mayor's budget.

2. The Olympic legacy, regeneration and the economy

Key Issues

The proposal of the London Legacy Development Corporation (LLDC) to fund cost overruns on the Olympic Stadium from unexpectedly large capital receipts will divert resources away from other important priorities that could have benefitted.

The GLA's ability to carry out and stimulate regeneration may be being hampered by a lack of resources. Its plans to transform the Old Oak Common area are impressive, but the GLA is proposing minimal funding next year, and may rely on developers to help fund Compulsory Purchase Orders. Furthermore, the London Enterprise Panel only has New Homes Bonus funding for 2015-16, and its future is therefore looking uncertain.

2.1 We are increasingly concerned about the finances of the London Legacy Development Corporation and the risk this presents to the GLA. In particular, three issues present a significant risk to the LLDC: the Olympic Stadium, the Olympicopolis development, and visitor numbers to the Olympic Park. And, because of the nature of the GLA's relationship with the LLDC, these risks are ultimately borne by the GLA.

Olympic Stadium

2.2 The LLDC and GLA are exposed to escalating costs related to the works on the Olympic Stadium roof. The LLDC has increased the value of the stadium works contract with Balfour Beatty by £36 million to £190 million.[16] The GLA told us recently that these additional costs would not result in any further call on taxpayer funding:

> *We believe that we will be able to take on board the additional costs of the stadium and be able to cover those costs by the increased land values which will be obtained and are already being obtained at the LLDC.*[17]

[16] Minutes of the London Assembly Audit Panel meeting, 22 October 2014, paragraph 6.8.

[17] Sir Edward Lister, Mayor's Chief of Staff, speaking to the Budget and Performance Committee, 20 November 2014.

2.3 We welcome the fact that the LLDC will be able to generate capital receipts so much greater than originally planned. But the LLDC cannot rely on increasing land values to cover cost overruns. And this unexpected resource could instead have been made available for the LLDC's regeneration and convergence objectives, or for one of the GLA's own priorities, such as its affordable housing programme.

Olympicopolis

2.4 We are pleased to see the Government has recently committed to providing £141 million of capital funding to the Olympicopolis development – although the details have not yet emerged.[18] This will help the LLDC to realise this ambitious cultural and education quarter in the Queen Elizabeth Olympic Park. So far, University College London, the Victoria and Albert Museum, the University of the Arts London, and Sadler's Wells have signed up to the new development, which the LLDC hopes will generate 20,000 jobs by 2030. But, because the Olympicopolis project must benefit local people if it is to succeed, ongoing revenue funding needs to be found for the employment and skills programmes that will get those people into jobs. The LLDC has less than £1 million for its socio-economic programme, which is match-funded by the boroughs, but more is needed.[19] The LLDC and the boroughs will bid for funding from the European Structural and Investment Funds next year to try and secure additional resources for this vital work.[20]

Visitor numbers

2.5 We have been concerned by the recent cut to ridership forecasts for the ArcelorMittal Orbit tower, which acts as an indicator for visitor numbers to the Olympic Park as a whole. According to the LLDC's external auditors, annual visitor forecasts for the Orbit have fallen from 350,000 to 150,000.[21] The Orbit made a £25,000 loss in the first quarter of 2014-15 against a forecast surplus of £275,000, and is now forecasting a £1.1 million loss for the year.[22] This is concerning in itself, but is even more worrying if we use the Orbit as a barometer for the Olympic Park as a visitor attraction or as a test of the LLDC's ability to forecast visitor numbers. As the LLDC's funding falls over the coming years, its ability to

[18] HM Treasury, National Infrastructure Plan, December 2014, paragraph 2.16.
[19] LLDC Regeneration and Communities Committee paper, Employment and Skills Work Programme, 11 November, paragraph 8.1.
[20] The London 2014-20 European Structural and Investment Funds have a budget of approximately £678 million of European Social Fund and European Regional Development Fund money.
[21] EY, GLA Audit Results Report 2013-14, September 2014, page 11.
[22] LLDC, Corporate Performance Report Q1 2014-15, page 4.

generate its own income becomes increasingly important. The LLDC will need to ensure that its other visitor attractions do not perform as poorly as the Orbit currently is.

Old Oak and Park Royal Development Corporation (OPDC)

2.6 The GLA is setting up the Old Oak and Park Royal Development Corporation (OPDC) but has very little funding in place to regenerate the area. The GLA's draft budget includes £1.3 million of seed funding for the OPDC to pay for staff, consultancy and legal costs to establish this new Mayoral Development Corporation – a move that the Assembly supports in principle to help realise the huge potential of the area.[23] And the GLA plans to generate income from planning applications to help meet the future staff costs that will be required to help lead this long-term development. The OPDC will be quite different from the LLDC, because it will not own any of the land being developed. The OPDC may therefore need to use Compulsory Purchase Orders. But, because of the costs involved, the OPDC would need to do this in collaboration with developers, who would provide financial support. This will create a different relationship between the OPDC and the developer, compared to the LLDC, and it is important that the OPDC's objectives are not compromised.

2.7 It is very unclear how much the OPDC/GLA might need to invest to get the development rolling. Indeed, at this stage of such a major development project, many of the costs will be unknown or subject to huge change as plans mature – for example should any of the land need to be decontaminated. Some infrastructure works, such as bridges, may need to be carried out first to encourage the private sector to invest. Over the longer term, the OPDC will have the power to collect money through a Community Infrastructure Levy. Again, however, we have no details regarding how much money might be required.

Regeneration and economic development

2.8 The GLA's funding for regeneration and economic development is either small, or uncertain, and the Mayor is increasingly using TfL to promote economic growth. As the draft GLA budget for 2015-16 highlighted, the London Enterprise Panel (LEP) is facing a highly uncertain future. Agreement has been reached regarding how the £70 million from the New Homes Bonus (NHB) will be allocated to boroughs, but the NHB does not extend beyond 2015-16. Without further NHB funding, the LEP will

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[23] Letter from Nicky Gavron, Chair of the London Assembly Planning Committee, to Sir Edward Lister, Deputy Mayor for Planning, 24 September 2014.

have very limited resources available to make an impact. Furthermore, the Outer London Fund will finish in 2014-15, and the Mayor's Regeneration Fund will finish in 2015-16. There may be a case for revisiting the memorandum with the Government that will see hundreds of millions of pounds from Olympic Park land sales passed to the National Lottery and the Treasury over the coming years.[24] With the lack of resources at his disposal – particularly since the abolition of the London Development Agency in 2010 – the Mayor is making more explicit use of TfL to drive economic growth. The fact that TfL is now factoring in economic benefits into its investment appraisal process indicates how important this objective has now become in TfL's thinking.

Apprenticeships and cutting carbon dioxide emissions

2.9 From the core GLA's list of 20 key performance indicators, two issues stand out as at most risk of failure: apprenticeships and cutting carbon dioxide emissions. Affordable housing is discussed separately in chapter 4 of this report. Additional funding is not necessarily the answer to achieving the targets, but the Mayor needs to explain how his budget will tackle the relative underperformance in these two areas.

2.10 The GLA is not on course to meet the Mayor's target to create 250,000 apprenticeship opportunities in the four years of the Mayoral term. After more than two years, just over 95,000 have so far been created, and the target is rated at amber. The Economy Committee recently reported on this issue, and recommended that the LEP should produce an Apprenticeship Action Plan for reaching the 250,000 target.[25] The Mayor's budget should set out the funding available as part of that road map.

2.11 We also have concerns over progress to meeting the Mayor's carbon dioxide reduction targets through two of his three main programmes:

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[24] Letter from Bob Kerslake, former Permanent Secretary at the Department for Communities and Local Government to Jeff Jacobs, GLA Head of Paid Service, 6 February 2012, paragraph 28.

[25] London Assembly Economy Committee, *Trained in London*, October 2014.

Programme[26]	Timeframe	Target (tonnes CO_2)	Latest (tonnes CO_2)
Home energy efficiency (RE:NEW)	2009-2017	141,200	28,600
Workplace energy efficiency (RE:FIT)	2009-2016	45,400	75,700
Energy supply	2010-2021	215,000	11,900

2.12 We recognise that these programmes can take some time to start achieving results, not least because they demand the involvement of many other organisations. Performance on the RE:NEW and energy supply programmes will therefore need to start ramping up significantly over the next few years. It should also be noted that the GLA's targets are significantly below the targets and milestones in the Mayor's own Climate Change Mitigation and Energy Strategy – a point that we raised in last year's Pre-Budget Report.[27]

Recommendation 4

The GLA needs to set out in as much detail as possible the costs and risks of the Old Oak and Park Royal Development Corporation before the Assembly is asked to consider the proposal on 17 December.

Recommendation 5

The Mayor's budget should set out how it will help address the risks to meeting the Mayor's targets for apprenticeships and cuts to carbon dioxide emissions.

[26] GLA Investment and Performance Board paper, Finance and Performance Update – Quarter 2, 2014-15, appendix 4, pages 14-16.

[27] London Assembly Budget and Performance Committee, Pre-Budget Report 2013, paragraph 4.14.

3. Transport

Key Issues

The Mayor's decision to increase fares by 2.5 per cent in January 2015 will – despite Government funding for one year – require Transport for London (TfL) to find additional savings (or increased income) of £351 million over the next ten years.

The implementation of the Mayor's Cycling Vision will bring benefits, but is taking place more slowly than planned. And TfL is taking a risk by passing on responsibility for some cycling programmes to the boroughs, which may lack the staffing resources needed to make them happen.

Fares

3.1 Following the Mayor's decision to increase fares by an average of 2.5 per cent in January 2015, Transport for London will face an income shortfall against its 2013 business plan forecast in future years. TfL's ten-year business plan was based on the assumption of an annual increase in fare prices of one per cent above inflation (Retail Prices Index).[28] In November, however, the Mayor announced that fares would be increased by RPI only for the second year running.[29] This will provide TfL with an extra £98 million in fares income in 2015. The Department for Transport (DfT) will provide TfL with additional funding equivalent to the fares revenue TfL will be missing for the year – the difference between increasing fares by RPI instead of RPI+1. This works out at approximately £39 million. But, as TfL has reminded us regularly in recent years, a one per cent loss in revenue recurs every year into the future.[30] The DfT's offer of funding, while welcome, will only offset the loss for one year. Over the next ten years, TfL will therefore have to find additional savings from efficiencies or cuts, or generate additional income, worth some £351 million.[31]

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[28] TfL, Business Plan 2013, page 74.
[29] MD1418, January 2015 fare changes, page 1. The Retail Prices Index was 2.5 per cent in the benchmark month of July 2014.
[30] For example, Steve Allen, TfL Managing Director, Finance, speaking to the Budget and Performance Committee, 9 January 2013.
[31] Nine years at £39 million per year.

3.2 The new Pay As You Go daily cap will reduce travel costs for many people and we congratulate the Mayor and TfL for introducing it. In our Pre-Budget Report 2013, we urged TfL and the Mayor to examine options for encouraging part-time working, and the PAYG daily cap has been specifically designed to achieve this. The cap is set at 20 per cent of the 7-day Travelcard, meaning that the cost of travelling to work is the same, regardless of how many days an individual works.[32] TfL estimates that the cap will benefit 600,000 part-time workers every week, who are statistically more likely to be women and less well-paid than full-time workers.[33]

3.3 Some passengers, however, will see their travel costs increase significantly as a result of these changes. To offset the estimated £20 million of lost revenue the daily cap will create, the off-peak zone 1-6 Travelcard will increase by 35 per cent from £8.90 to £12.[34] TfL will need to monitor the impact of this increase, particularly whether people in outer London are put off using public transport and switch to driving, or decide not to make the journey at all. TfL should also monitor whether the fare changes have the intended effect of encouraging part-time workers to use public transport.

3.4 The Mayor should use his annual fares decision to target assistance towards groups that would benefit the most – particularly to help disadvantaged groups access jobs and other opportunities. The Mayor's influence over TfL's fares gives him the opportunity to directly affect the cost of living for millions of Londoners. And the data now collected through Oyster and contactless payments gives TfL much more detailed information about passenger behaviour and transport choices. Over the coming years, TfL should be able to offer the Mayor more targeted options to address specific policy objectives, for example to reduce peak-time overcrowding or to reduce travel costs for low-income groups.

Cycling

3.5 The Mayor's cycling programme is making progress, but there are risks to delivery. It is essential that TfL maximises the value for money from its cycling spend, and we do not want to see rushed, poorly planned schemes rolled out. But we are concerned by the delays and the slow

[32] Based on a five-day working week.
[33] TfL, Briefing note for Mayor – proposal for 2015 fares, paragraph 5.8, MD 1418, January 2015 fare changes, paragraph 3.7.
[34] The fare changes for the daily caps and Travelcards must be revenue-neutral because they are agreed jointly between the Mayor and the Train Operating Companies.

rate of spend – TfL is currently forecasting an underspend of £11 million on its 2014-15 cycling budget of £82 million, following an underspend of £26 million on its cycling budget of £99 million in 2013-14.[35] Investment in some of the planned Cycle Superhighways has been pushed back to 2016-17, with completion not scheduled until as late as 2018. And just a third of the Better Junctions improvements and half of the Central London Grid will be completed before May 2016. The benefits that these schemes will generate, in terms of reductions in congestion and pollution, improvements to safety and health, should not be delayed.

3.6 TfL must not pass on any blame for slow delivery of local cycling projects to the boroughs. Some elements of the Mayor's Cycling Vision that TfL will fund – such as the Quietways programme and the Mini-Hollands – are going to be implemented by the boroughs. But, as Andrew Gilligan, the Mayors' Cycling Commissioner, told us in October, boroughs are struggling in terms of their capacity to carry out the work. And, while cycling may be important for the Mayor and TfL, boroughs may understandably have different priorities. As Andrew Gilligan said, "ultimately, we are in their hands on that because it is their roads and it is their officers and staff who will have to implement the changes".[36]

The Overground

3.7 We support the addition of the Inner West Anglia (IWA) routes to the Overground network in 2015, but this will present a financial and reputational risk for TfL. As surveys show, passengers on the IWA routes have been dissatisfied with the services they have received in recent years, and TfL will face a challenge to bring passenger satisfaction up to the high standards seen on the rest of the Overground network. TfL will spend £25 million to improve the 24 stations it will take over, but admitted to us that this money would not be enough to make major changes.[37] And trains will be deep-cleaned, but not replaced until 2017. Passengers may therefore not see major improvements in the short term. The excellent reputation that TfL and the operator (London Overground Rail Operations Limited) have worked to establish for the Overground could be damaged if performance on the IWA routes is not up to scratch.

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[35] TfL Board Paper, Operational and Financial Performance and Investment Programme Reports – Second Quarter, 2014/15, page 26.

[36] Andrew Gilligan, Mayor's Cycling Commissioner, speaking to the Budget Monitoring Sub-Committee, 21 October 2014.

[37] Jon Fox, TfL Director of Rail, speaking to the Budget and Performance Committee, 15 October 2014.

3.8 Making a success of the IWA routes from 2015 is important for TfL in two ways. There is an immediate financial risk because TfL is retaining the revenue risk on services that are forecast to just break even. But, more importantly, this is an opportunity for TfL to demonstrate the benefits of devolving London's rail services. While all the political groups in the Assembly are in favour of this, the DfT has shown less enthusiasm – for example, deciding against granting TfL control over the Southeastern rail franchise earlier this year because of concerns over TfL's ability to serve passengers in Kent. It will therefore be important for TfL to not only demonstrate its ability to improve the IWA services, but that it treats its passengers equally, whether they are using stations inside or outside London.

Independent Investment Programme Advisory Group

3.9 We agree with the Transport Committee's conclusion that the Independent Investment Programme Advisory Group (IIPAG) is not providing sufficient assurance over TfL's capital spending.[38] IIPAG's reports are not published, with the reasoning being that it can provide TfL with more candid advice with this approach. This means, however, that we have no evidence that IIPAG really is providing enough challenge to TfL. All the public can see is IIPAG's brief annual report, which sets out an overview of its work and its key findings. None of these reports, for example, sets out the scale of the problems on the sub-surface signalling contract with Bombardier, which collapsed last December. While responsibility for the problems on this programme lies with TfL itself, IIPAG was not able to prevent its failure, which will cost tens of millions of pounds and delay service improvements for years to come. A review recently carried out for TfL concluded that IIPAG was not as independent as bodies providing a similar assurance role for benchmark organisations. And IIPAG has a limited budget available (£0.5 million) and relatively few staff to carry out such an important role.[39] But, while IIPAG's work is so hidden from public view, it is impossible to assess how effective the organisation really is, or whether changes need to be made.

[38] See letter from Caroline Pidgeon, Chair of the Transport Committee, to the Mayor, 23 October 2014, pages 2-4.
[39] TfL, IIPAG Annual Report 2013-14: TfL Management Response, September 2014, page 1.

Recommendation 6
TfL should review the impact of the introduction of the Pay As You Go daily cap after six months, and publish its findings.

Recommendation 7
The Mayor should seek an agreement with DfT, TfL and IIPAG that all IIPAG reports should be published, and IIPAG's work programme should be published and regularly updated on TfL's website from 1 April 2015.

4. Housing

Key Issues

The GLA is facing a real challenge to meet its affordable housing targets and deadlines, even after extending a key deadline by nine months. The GLA is not building enough larger homes that are suitable for families, and needs to build more in the next housing programme for 2015-18. To help prioritise larger homes, it may be helpful to set targets in terms of the number of people housed, or the number of bedrooms built, rather than just the number of units built.

Affordable housing targets

4.1 It is going to be challenging for the GLA to meet the Mayor's manifesto commitment of building 55,000 new affordable homes during the four years to 2015. It will be extremely difficult to finish the 15,700 houses needed before the end of March 2015 – the original target date.[40] The deadline has been moved to the end of December, giving the GLA another nine months, but it will still be hard to hit the target by then.[41]

4.2 Of particular concern is the Affordable Homes Programme 2011-15. This, the largest of the Mayor's current programmes, *does* have a specific March 2015 deadline. If registered providers do not complete homes by then, they will not be eligible for GLA funding, and would have to repay any funding they had received in advance. As the GLA told us, meeting this deadline will be challenging:

> *There is a tremendous amount to do and, indeed, it is not just the back-loading into the final quarter [i.e. January to March 2015] but a very substantial proportion of that is back-loaded actually into the*

[40] By the end of the second quarter of 2014-15, 2,153 homes had been completed against a target for the year of 17,890. GLA Investment and Performance Board paper, Finance and Performance Report Q2 2014-15, appendix 4, page 17. The March 2015 deadline has been consistently used in Housing Investment Group papers, GLA quarterly reports to the Budget Monitoring Sub-Committee, and in the GLA's Key Performance Indicators. The Deputy Mayor for Housing and Land also specifically confirmed that the deadline was 31 March 2015 at a Housing Committee meeting on 12 November 2013.

[41] GLA Housing Investment Group paper, Affordable housing targets and trajectories, 3 June 2014, paragraph 4.1.

last month. March is going to be a hugely challenging month for everybody.[42]

4.3 This March deadline is important, and it looks like timings are very tight. A few weeks of unexpectedly bad weather, for example, could put some of these completions at risk.

4.4 We are also concerned about house-building forecasts beyond 2014-15. While the GLA expects that around 18,000 affordable homes will be completed in 2014-15, it forecasts only 4,000 or 5,000 completions in 2015-16.[43] Londoners need a clear indication of how many homes will be built in the years to come. And, while the current Mayor has less than 18 months in office remaining, the decisions he takes during that period will influence the rate of affordable house-building in London for the first few years of the next Mayoral term. He should therefore set clear annual targets for affordable housing completions for the next three years – based on the agreed housing funding settlement with Government to 2017-18 – and report progress to the Budget Monitoring Sub-Committee each quarter. If the next Government amended the funding situation then those targets could be revisited. Ultimately, what is important is the number of <u>people</u> that can be housed with the money available – not just the number of units built – and the Mayor's targets need to reflect that fact. One consequence of this might be to improve the number of large affordable homes built over the coming years.

Family-sized affordable homes

4.5 We know that not enough family-sized affordable homes are being built in London.[44] In the three years between April 2011 and March 2014, the GLA funded approximately 31,000 affordable homes. But, as the chart on the next page shows, over 70 per cent of those had either one or two bedrooms. Only 8 per cent of the homes had four or more bedrooms. According to the 2013 London Strategic Housing Market Assessment – the evidence base for the London Housing strategy – London needs 18 per cent of affordable homes to have four bedrooms or more.[45] If the GLA does not build enough of the large homes that are needed, we can expect

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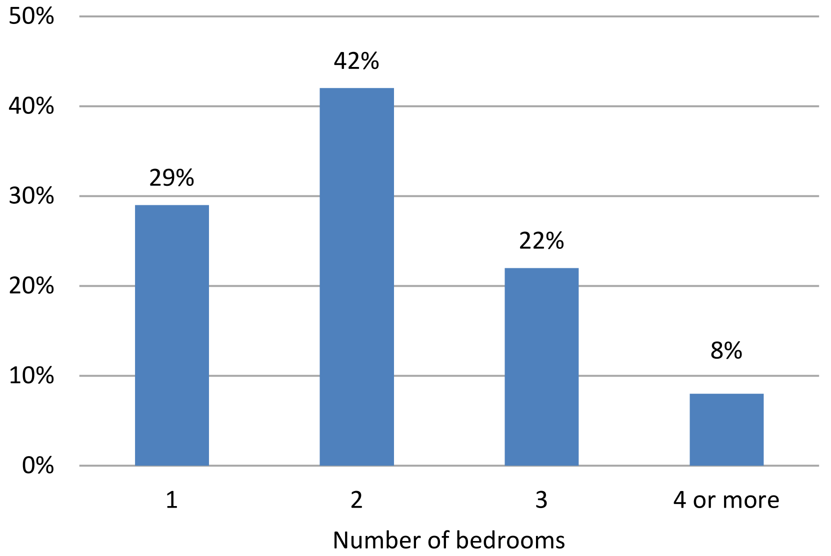
[42] David Lunts, GLA Executive Director for Housing and Land, speaking to the Budget and Performance Committee, 20 November 2014.
[43] Ibid.
[44] While the GLA defines a "family-sized" as having three or more bedrooms, the London Assembly Planning Committee found that the most pressing need was for homes with four or more bedroom. See *Crowded Houses*, March 2011, page 34.
[45] GLA, The 2013 London Strategic Housing Market Assessment, page 87 (affordable housing includes both intermediate and social rent housing).

many of its smaller affordable homes to be overcrowded. But for each large home that is built, a number of overcrowded households can move up a chain into appropriately-sized accommodation, improving the housing situation of many more people.[46]

Only eight per cent of GLA-funded affordable homes completed between 2011 and 2014 had four or more bedrooms



Source: GLA affordable housing statistics

4.6 The Mayor should allocate more money to building affordable homes with four or more bedrooms. There is still £380 million of the Mayor's Housing Covenant budget left to allocate to providers in the 2015-18 programme. The GLA told us recently that this money has to build a minimum of around 6,200 units.[47] And we recognise that, given the low value of subsidy per home in the programme, it is difficult for providers to build larger family homes. But the London Housing Strategy did say that the Mayor was making funding available for affordable homes with four bedrooms or more, so it would be helpful if the Mayor could clearly set out his ambitions in this regard.[48]

Loans not grants: a new approach to boosting housing supply

4.7 The GLA is currently developing a new way of supporting house building in London which creates new opportunities but also new risks. It has

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[46] London Assembly Planning and Housing Committee, *Crowded Houses*, March 2011, pages 25-27.

[47] David Lunts, GLA Executive Director for Housing and Land, speaking to the Budget and Performance Committee, 20 November 2014.

[48] GLA, Homes for London: the London Housing Strategy, June 2014, page 9.

received £400 million from DCLG in the form of loans that it will then loan to developers and/or registered providers to finance the supply of new housing.[49] But a condition of the funding is that the GLA must commit to a repayment schedule to DCLG, and this creates risks. For example, the GLA will be liable to make repayments to DCLG from its own housing budgets even if it has not recovered the loans it has made.

4.8 The GLA is aware of the risks, and is taking steps to manage them. It has set-up a joint review with DCLG to consider the risks, and the skills and capacity issues that may arise if it is to manage these loans.[50] The main risk – that the organisations the GLA lends to do not meet their repayment obligations – will be mitigated by lending only to bodies with strong credit ratings, such as social landlords. But these bodies still face a challenging financial environment, not least an increasing reliance on private sector borrowing, market sales to cross-subsidise affordable housing programmes and reduced grants from the public sector. It remains to be seen how effectively the GLA will manage these risks – we will monitor developments as they occur.

Recommendation 8

Before 1 April 2015, the Mayor should set annual targets for affordable housing completions in 2015-16, 2016-17 and 2017-18, including specific targets for larger family homes (four bedrooms or more).

[49] The GLA has allocated £200 million to the London Housing Bank programme and £200 million to the Housing Zones programme. GLA Housing Investment Group paper, Financial Transactions, 10 September 2014, paragraph 7.1.

[50] GLA Housing Investment Group paper, Financial Transactions, 10 September 2014, paragraph 4.3.

5. Fire

Key Issues

The London Fire and Emergency Planning Authority (LFEPA) is making savings while keeping response times within targets. But, despite extra funding from the Mayor, LFEPA is facing a major budget gap in 2016-17. Further reform and reorganisation seems inevitable after 2015-16.
The costs of industrial action are placing a significant burden on LFEPA's budget. LFEPA will not receive extra funding from the Government or the Mayor to meet these costs, and is having to use its reserves to deal with the pressure this year. But LFEPA will need to replenish its reserves in 2015-16, creating further strain on its budget.

Savings

5.1 LFEPA has – so far – been able to make the savings required while maintaining performance within targets. The reforms of the Fifth London Safety Plan (LSP5) saw 10 fire stations closed and 14 fire appliances cut on 9 January 2014, making a significant contribution to LFEPA's savings target of £34.5 million in 2014-15.[51] Data for the first eight months since January show that first appliance response times for each borough have remained within target, although there has been a slight increase in the average (5 minutes 30 seconds) compared to 2012-13 (5 minutes 23 seconds). Response times have increased in 371 wards, and fallen in 271 wards.[52]

5.2 The Mayor has committed to avoiding "any further major frontline realignment" during the LSP5 period to the end of 2015-16.[53] To help achieve this, and to give LFEPA certainty over its resources, he has maintained LFEPA's funding at £382 million in both 2015-16 and 2016-17. In 2014-15 he provided £389 million, which included one-off support of £7 million to implement LSP5. The Mayor has stated that he is willing to consider additional one-off funding "to assist with the implementation costs associated with [LFEPA's] savings proposals".[54] These could include

[51] LFEPA Resources Committee paper FEP 2338, Financial position as at the end of September 2014 (quarter 2), 13 November, paragraph 3.
[52] LFEPA paper FEP 2363, Statement of Assurance 2013/14 and the impact of the Fifth London Safety Plan (LSP5), 27 November 2014, paragraph 36.
[53] The Mayor's budget guidance for 2015-16, July 2014, paragraph 5.6.
[54] Ibid.

investing in new technology, making improvements to fire stations, or meeting redundancy costs.

5.3 Despite the Mayor's extra financial support over the next two years, LFEPA is still facing pressures on its budget (such as £5 million from inflation in 2015-16 alone) and will have to make significant savings. LFEPA had a budget gap of £7.4 million in 2015-16, and has so far found savings of £4.3 million, leaving LFEPA with an outstanding budget gap of £3.2 million. For 2016-17, LFEPA is facing a budget gap of £14 million.[55]

5.4 It will be increasingly difficult for LFEPA to make further savings without implementing another major round of reform and reorganisation. LFEPA has largely been able to meet its savings targets by implementing LSP5. Any further savings requirements – which seem probable in light of cuts in central Government funding – would make further reforms and reorganisation highly likely. The Commissioner told the Assembly in November that planning for LSP6 would need to start early in 2015.[56]

Industrial action

5.5 LFEPA is exposed to the costs of industrial action over which it has little control. The Fire Brigades Union (FBU) is in dispute with the Department for Communities and Local Government over changes to firefighter pensions due to take effect from April 2015. LFEPA has estimated that the industrial action taken in July, August and October/November will cost £4.8 million (net) during 2014-15. The industrial action taken on 9 December will have increased these costs.[57]

5.6 LFEPA has been told by the Mayor and the DCLG that it will have to meet these additional costs from its own budget.[58] But LFEPA told us that LFEPA had limited scope to make savings of this scale during 2014-15, and that the options available reduce as the end of the financial year approaches.[59] At the end of the second quarter of 2014-15, LFEPA was forecasting a total overspend of £1.7 million for the year. LFEPA is planning to meet any overspend from its reserves, but that could result in LFEPA depleting its general reserve below its minimum acceptable level of

[55] LFEPA paper FEP 2337, Budget Update, 27 Nov 2014, appendix 2.
[56] Ron Dobson, Commissioner for Fire and Emergency Planning, speaking at the London Assembly Plenary, 5 November 2014.
[57] LFEPA paper FEP 2337, Budget Update, 27 Nov 2014, paragraph 38.
[58] James Cleverly AM, Chairman of LFEPA, Speaking at the London Assembly Plenary, 5 November 2014.
[59] Sue Budden, LFEPA Director of Finance and Contractual Services, speaking at the Budget Monitoring Sub-Committee, 20 November 2014.

£10 million. LFEPA is currently forecasting a year-end general reserve balance of £11.9 million, after paying £3.9 million into the reserve during the year.[60] The costs of further industrial action could therefore bring the general reserve below the acceptable level.

5.7 LFEPA would have to top-up its general reserve in 2015-16 if it fell below the £10 million threshold. While the general reserve exists to help organisations manage just these kinds of short-term costs, it would create an additional pressure on LFEPA's 2015-16 budget which is currently facing a budget gap of £3.2 million. In the absence of any additional support from DCLG or the Mayor, and the difficulties in making further savings in 2014-15, it seems that the impact of this year's industrial action will continue to affect LFEPA in 2015-16.

[60] LFEPA Resources Committee paper FEP 2338, Financial position as at the end of September 2014 (quarter 2), 13 November, paragraph 33.

6. Police

Key Issues

The Metropolitan Police Service (Met) will not be able to keep hitting its savings targets by underspending on its staff costs. Finding savings from making better use of technology is going to be much more challenging, and there are indications that the Met's technology programme is facing difficulties.

The Met will have to keep changing to deal with budget cuts for several years to come, and it will not be affordable for the Met to operate with 32,000 police officers beyond 2015-16. The Met needs to make better use of Operational Policing Model (OPM) data, and release more uniformed officers from back-office jobs into front-line roles.

Achieving the 20 per cent savings target

6.1 The Met is currently on track to cut its costs by 20 per cent between 2013 and 2016, but has so far made savings from underspends on staff costs, and will find further savings much harder to achieve. In March 2013, MOPAC challenged the Met to reduce its costs by 20 per cent (around £500 million) between 2013 and 2016. We recently heard that the Met had made around 47 per cent of the planned savings by September, half way through the spending review period.[61] But the Met was quick to point out to us that most of those savings have been relatively easy to deliver – particularly those relating to police staff pay.[62] The next set of savings, targeted at reducing support costs (such as estates and technology costs) carry with them much greater risks. The Met still faces a real challenge to hit the 20 per cent savings target by 2016.

6.2 The Met will not be able to find savings through underspends on its pay budget in 2015-16. In previous years, the Met has spent less than it budgeted to on pay (by £79 million in 2012-13 and £25 million in 2013-14).[63] These underspends directly resulted from the Met employing fewer police officers and staff than it had planned to, and have

[61] HMI Stephen Otter, HMIC, speaking to the Budget and Performance Committee, 11 September 2014.

[62] Craig Mackey, Met Deputy Commissioner, speaking to the Budget and Performance Committee, 11 September 2014.

[63] MOPAC Revenue Monitoring Report - Provisional Outturn 2012/13, Appendix 1 and MOPAC Revenue and Capital Monitoring Report - Provisional Outturn 2013-14, Annex B.

helped the Met to cover slippage in its other savings plans. But, as the service returns to its target staff establishment and spends its pay budget in full, these underspends will not occur in the future. In fact, MOPAC is currently forecasting a £6 million overspend in the Met's pay budget in 2014-15.[64]

6.3 Since the Met will be less able to rely on pay budget underspends in the future, other savings programmes will become increasingly important if the Met is to reduce its costs by 20 per cent in this spending review period. The Met's external auditors, however, recently warned that the Met was facing a projected overspend of £42 million in 2014-15 and a budget gap of around £100 million in 2015-16.[65] They highlighted that £44 million of expected savings from technology and estates programmes originally planned for 2013-14 have slipped to 2016-17 and beyond. And as a result of the pause in technology investment (see below), they also warned that £100 million of planned savings may not be fully realised in the next two years.

The Met's use of technology

6.4 Changing the Met's use of technology is vital to achieving savings and operational improvements, but we are concerned at progress in this area. By renegotiating contracts and investing in new technology, the Met hoped that it could reduce its technology running costs by £60 million (30 per cent), from £200 million in 2013-14 to £140 million in 2015-16.[66] It also hoped there would be other benefits from this investment, such as savings in police officers' time. We examined these plans in some detail last year in our report *Smart Policing*, and highlighted the risks the Met was facing, and the consequences that poor or slow implementation would have on the Met's savings plans.[67] Her Majesty's Inspectorate of Constabulary and the Met are aware that technology plans are a critical risk area in the Met's budget. As the Met's Deputy Commissioner told us recently, "If there is one area of work that keeps me awake at night it is the one around delivering the technology savings".[68]

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[64] MOPAC Summary Revenue and Capital Budget Monitoring Report – Period 6 2014/15, page 2.
[65] Grant Thornton UK LLP, 2013-14 Audit Findings Report for MOPAC and the MPS, page 35.
[66] The Met's Directorate of Information revenue budget. See Met Management Board Briefing Note, Status of ICT Savings Initiatives, 29 April 2013, page 25.
[67] Budget and Performance Committee, *Smart policing*, August 2013.
[68] Craig Mackey, Met Deputy Commissioner, speaking to the Budget and Performance Committee, 11 September 2014.

6.5 Signs that the Met may not have taken on the advice from our report are concerning. For example, the Met's auditors recently found that business cases for new investment in technology did not set out the planned financial benefits clearly enough.[69] And, despite our support for the Met's "invest to save" approach in this area, it seems that the Met has actually slowed its rate of investment – it had planned to spend £171 million on technology in 2014-15, but is now forecasting just £110 million for the year.[70] We will return to this topic in 2015, and we ask MOPAC and the Met to provide a frank update of progress in March, as agreed. Better use of technology is vital, not only for delivering savings in the short term, but also for changing the shape of the Met in the longer term.

London's police service in 2020

6.6 The Met will have to make major changes over the coming years to deal with further cuts to its budget. The Met is assuming that it will need to save between £520 million to £720 million during the four years 2016-17 to 2019-20.[71] This scale of savings, on top of those from the 2011-12 to 2015-16 spending review period, requires a thorough assessment of what the Met will look like in the future. We are pleased to see, therefore, that MOPAC has asked the Met to develop a Target Operating Model based on a vision of the organisation in 2020. Maintaining a focus on this model will help MOPAC and the Met avoid taking short-term decisions that could make longer-term change more difficult.

6.7 Given the strong probability of further funding cuts, it will be increasingly difficult for the Met to keep police officer numbers around the 32,000 mark – the commitment first made by the Mayor in 2012. The cost of providing 32,000 officers is approximately £1.8 billion. As the Met's funding is cut, paying for these officers becomes an increasingly large proportion of the Met's operating budget – it is currently already 57 per cent – and squeezes the Met's resources for other purposes.[72] But, as we have already noted, it will be increasingly difficult to find savings from other parts of the Met's budget. We have to agree, therefore, with HMIC's conclusion that "the number of police officers needed to police

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[69] Grant Thornton UK LLP, 2013-14 Audit Findings Report for MOPAC and the MPS, page 40.

[70] MOPAC Summary Revenue and Capital Budget Monitoring Report – Period 6 2014/15, page 7.

[71] Letter from Craig Mackey, Met Deputy Commissioner, to John Biggs, Chairman of the Budget and Performance Committee, 3 November 2014, page 2.

[72] HMIC, *Responding to austerity*, July 2014, page 10.

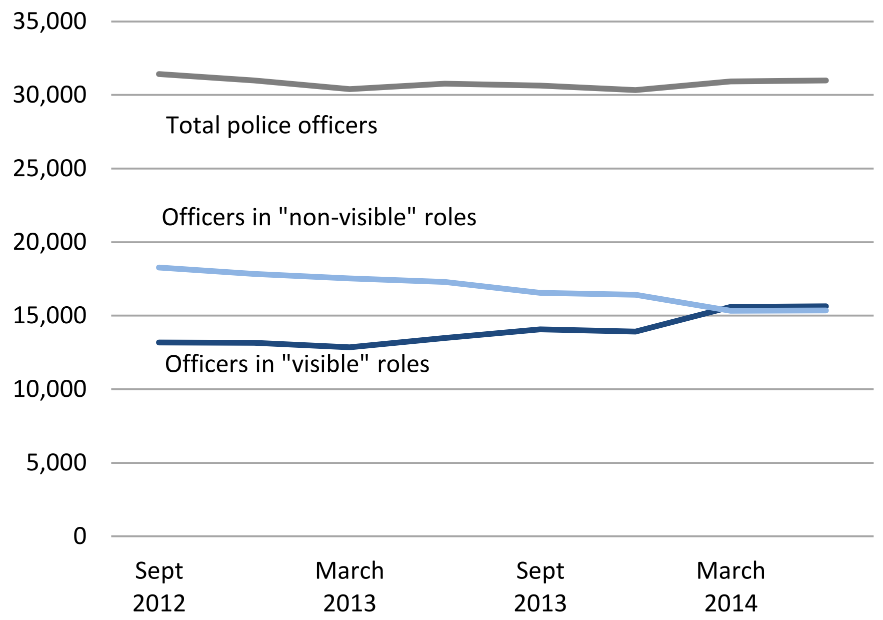
London beyond 2016 will almost certainly need to be reviewed to meet future savings challenges".[73]

6.8 As we have said before many times, the debate about policing in London needs to move beyond a narrow focus on police officer numbers. The Met's work to develop a Target Operating Model for 2020 is an opportunity to do just that, and we ask MOPAC to ensure that the Met uses its Operational Policing Measure (OPM) analysis as well as headline officer numbers. OPM analysis provides a clearer picture of how a police service allocates its resources, distinguishing officers according to their role and classification as frontline (visible) or operational support.

6.9 The Mayor's Vision 2020 for London said that, "The objective over the next decades is to make sure that we keep [police officer] numbers high, and that we keep [officers] out on the street where the public want to see them".[74] The Met's 2020 Target Operating Model could set out how the service intends to keep the number of officers in visible roles high – which HMIC says is important to maintain and improve public confidence in the police – while at the same time allowing for the reduction in the overall number of police officers that will be required as the Met's budget is cut. As the chart on the next page shows, a larger proportion of police officers are now working in visible roles, compared to two years ago.

[73] Ibid, page 10.
[74] GLA, 2020 Vision, June 2031, page 48.

OPM analysis shows that the proportion of police officers working in "visible" roles has increased in the last two years



Source: Operational Policing Measure data provided by MPS. Categories of non-visible officers include: specialist, middle office and back office.

6.10 Another benefit from greater use of OPM analysis is that it better recognises the new threats that the Met are tackling. HMIC told the Committee that some threats, such as cyber-crime, do not necessarily require lots of uniformed officers. It might be far better for specialist civilian staff to carry out this kind of work, something this Committee has recommended in the past.[75] Not only might this be cheaper, but it would release warranted officers back into visible policing roles, helping to boost public confidence. We recommend that the Met's 2020 Target Operating Model sets out a vision of the service's future capacity using OPM analysis where appropriate.

The Met's national policing commitments

6.11 The Met is facing freezes or cuts to the funding provided to allow it to carry out its national policing responsibilities. The Met receives two specific grants from the Home Office for these purposes:

- The National, International and Capital City (NICC) grant, which provides additional funding in recognition of those challenges that are unique to London.

[75] Budget and Performance Committee, *Policing in London*, June 2011, page 42.

- The Association of Chief Police Officers (ACPO) Terrorism and Allied Matters funding for counter-terrorism policing.

6.12 Collectively, these grants provide around 19 per cent of the Met's current operating costs.[76] But the NICC grant has fallen by 15 per cent over the last four years, and the Met is having to bid for NICC funding from the Home Office for the first time this year.[77] Its counter-terrorism funding has remained flat in recent years, despite the increased terror threat and the heightened police activity in response.[78] The Government's recent Autumn Statement made an additional £110 million available for counter-terrorism in 2015-16, but it is not yet clear what proportion the Met will receive.[79] HMIC told us that these areas present a specific risk in the Met's budget, highlighting that the Met may struggle if these funding streams are reduced further.[80] We agree with the Met's assessment that it is time to properly debate the Met's capacity to take on these national commitments.[81]

Recommendation 9

The Met should provide the Committee with a progress update on its technology savings and reforms in March 2015 (as per its commitment in response to the Committee's Smart Policing report of August 2013).

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[76] HMIC, *Responding to austerity*, July 2014, page 10.

[77] NICC grant has fallen from £208 million in 2010-11 to £176 million in 2014-15. Craig Mackey, Met Deputy Commissioner, speaking to the Budget and Performance Committee, 11 September 2014.

[78] Counter-terror funding has been approximately £240 million per year. The terror threat level was increased from "substantial" to "severe" in August 2014.

[79] HM Treasury, Autumn Statement 2014, December 2014, page 65.

[80] HMI Stephen Otter, HMIC, speaking to the Budget and Performance Committee, 11 September 2014.

[81] Craig Mackey, Met Deputy Commissioner, speaking to the Budget and Performance Committee, 11 September 2014.

Recommendation 10

MOPAC and the Met should publish a summary of the Target Operating Model they are developing based on their vision of the Met in 2020. MOPAC, in its response to this report, should commit to publishing this summary in summer 2015.

- Rather than focusing only on total police officer numbers, the model should set out the Met's future capacity using OPM analysis.
- The vision should include a realistic assessment about the national commitments the Met can continue to make.

Recommendations

Recommendation 1

Starting from the first quarter of 2015-16, MOPAC should publish the full results of the Public Attitudes Survey on the London Datastore each quarter.

Recommendation 2

The Mayor must make the GLA's 2015-16 funding to organisations such as London & Partners dependent on them signing up to the same standards of transparency as applies to the GLA Group. This would apply to organisations where the GLA has a material interest, for example where:

- The GLA provides funding of 50 per cent or more of an organisation's gross revenue budget
- The Mayor or GLA has the power to appoint the Chair or members of the Board

Recommendation 3

For these organisations, the GLA should make funding from the 2016-17 budget round onwards dependent on them publishing their business plans by the end of December in preceding financial years to assist the Assembly's scrutiny of the Mayor's budget.

Recommendation 4

The GLA needs to set out in as much detail as possible the costs and risks of the Old Oak and Park Royal Development Corporation before the Assembly is asked to consider the proposal on 17 December.

Recommendation 5

The Mayor's budget should set out how it will help address the risks to meeting the Mayor's targets for apprenticeships and cuts to carbon dioxide emissions.

Recommendation 6

TfL should review the impact of the introduction of the Pay As You Go daily cap after six months, and publish its findings.

Recommendation 7

The Mayor should seek an agreement with DfT, TfL and IIPAG that all IIPAG reports should be published, and IIPAG's work programme should be published and regularly updated on TfL's website from 1 April 2015.

Recommendation 8

Before 1 April 2015, the Mayor should set annual targets for affordable housing completions in 2015-16, 2016-17 and 2017-18, including specific targets for larger family homes (four bedrooms or more).

Recommendation 9

The Met should provide the Committee with a progress update on its technology savings and reforms in March 2015 (as per its commitment in response to the Committee's Smart Policing report of August 2013).

Recommendation 10

MOPAC and the Met should publish a summary of the Target Operating Model they are developing based on their vision of the Met in 2020. MOPAC, in its response to this report, should commit to publishing this summary in summer 2015.

- Rather than focusing only on total police officer numbers, the model should set out the Met's future capacity using OPM analysis.
- The vision should include a realistic assessment about the national commitments the Met can continue to make.

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Chinese

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Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

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Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

Greater London Authority

City Hall
The Queen’s Walk
More London
London SE1 2AA

Enquiries 020 7983 4100
Minicom 020 7983 4458

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