

MAYOR OF LONDON

John Biggs AM

Chairman of the Budget and Performance
Committee
City Hall
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Date:

Dear John

Pre-Budget Report 2013

Thank you for your Committee's Pre-Budget Report for 2013. On behalf of the Mayor I set out responses to your recommendations.

Recommendation 1

The Mayor should consider options to reduce the disincentive that the March 2015 deadline in the Affordable Homes Programme now presents to developers. For example, the level of funding could be tapered down to zero in the months after the March 2015 deadline. Alternatively, the completion deadline itself could be pushed back by a few months for homes started by March 2014.

Whilst there are considerable delivery challenges, and there remains little room for slippage, the Mayor does not believe that making amendments to the contractual payment schedules or completion deadlines will assist in programme management. It should be noted that the 2015-18 Mayor's Housing Covenant programme is currently open for bidding until 10 March 2014 for affordable housing delivery in the post-2015 period.

Recommendation 2

When considering how to dispose of surplus land and property the GLA should carefully examine whether leasing, rather than selling, assets would be more beneficial. And when the GLA sells its assets it should take steps to ensure that it shares in any profits arising from short term increases in land and property prices.

The GLA has inherited some land where a leasehold has been granted with a nominal income. Britannia Village in the London Borough of Newham is an example. Leasehold terms can, however, generate long term burdens (and Britannia Village is an example) so any leasehold disposal rather than ultimate freehold disposal needs careful

consideration. The GLA is currently considering the inclusion of Private Rented Sector housing on a number of its sites and the way in which it could use its land to facilitate this, including potentially sharing in the rental revenue stream and/or deferring the land receipt, may necessitate a disposal on leasehold terms. The Mayor will be reviewing this in the new year. It should also be noted that when the GLA sells land due consideration is given to the inclusion of appropriate clawback and overage mechanisms to ensure that it shares in any property value increases and any additional planning approvals on the site.

Recommendation 3

In his response to this report the Mayor should commit to publishing detailed scenarios of a fares freeze, and increases of RPI and RPI+1 for the 2015 fares decision by the end of August 2014. The first two scenarios should set out which specific projects would have to be cancelled, delayed or reduced in scope because of the reduced fares income.

The decision on the publication of TfL's advice on fares has been extensively rehearsed. The impact of fares decisions on specific projects is addressed as part of producing TfL's Business Plan.

Recommendation 4

So that Assembly Members have this information before they are asked to approve the Mayor's budget, by 23 January 2014 TfL should provide a summary of its plans to generate commercial income over the next Business Plan period. This should include a breakdown of its financial forecasts.

TfL committed itself to a 40% increase in its commercial income in its latest Business Plan. TfL intend to achieve this ambitious target through a combination of property development, better asset management of the existing estate (including their retail units) and non-property business development (of which the largest component is advertising). The latest version of the Commercial Development business plan will be sent to the Committee by 23 January.

Recommendation 5

By June 2014 TfL should publish a range of fully costed ticketing options to address the following objectives: to encourage part-time work, to reduce peak time travel and to reduce travel costs for low-paid workers. As part of this, TfL should attempt to quantify the wider economic benefits these measures would generate, and include options for pilot schemes to start in January 2015. The review should build on the work TfL has already been asked to carry out by the Assembly's Transport Committee.

The Chief Finance Officer of TfL will be writing to the Budget Committee providing the impact on TfL revenues for the options the Assembly outlined in its motion of 9 October 2013. The indicative total cost of these to TfL would be well over £100m a year. TfL is already acting to achieve the objectives set out in this recommendation: This year's fare package sees a small overall reduction to fares in real terms. TfL have held the caps on pay as you go fares flat in cash terms (i.e. below inflation) to support part-time working. TfL already has higher prices for peak travelling than off-peak on its rail functions to reflect the higher cost of operating these intense services. TfL also provide a

MAYOR OF LONDON

range of concessions including for those on job-seeker's allowance. In 2014 TfL will take this flexibility a step further; all TfL's major services will accept payment by contactless card, and this will be capped not just by day but also by week, supporting flexible travel without needing to purchase a travelcard or any other ticket in advance.

Recommendation 6

So that Assembly Members have this information before they are asked to approve the Mayor's budget, by 23 January 2014 MOPAC should:

Provide the Committee with a detailed breakdown of how it intends to make the necessary savings for 2014-15 and 2015-16, along with an assessment of operational risks that may arise from funding reductions in 2014-15 and 2015-16.

Provide an Operational Policing Measure (OPM) forecast for 2014-15 and 2015-16 based on its budget plans. We are surprised that the Met does not use the OPM as part of its budget setting process, and MOPAC should ensure that it does in future. Explain to the Committee why crime has fallen more slowly in London over the last ten years than it has in the rest of England and Wales.

A detailed schedule of savings will follow shortly. With regard to the operational risk of the proposed savings the Mayor is clear that savings must be delivered without impacting on the effectiveness of the Metropolitan Police Service. This is why the Mayor has made protecting police officer numbers a priority, with numbers at or around 32,000 by 31st March 2015-16. Instead savings will be delivered through for example:

- Reforming the policing model and bringing supervisory ratios down to 1:6 more in line with other forces;
- Disposing of buildings that are underutilised, and delivering savings of £51M by 2015-16. Investing instead in new forms of public access that better reflect the way in which the public want to access the police through for example by phone, e mail and through more police officers out on the street;
- Investing in IT which will transform the IT estate to provide an enhanced and pre-eminent technology platform that supports the goal of becoming the first truly digital police force and that delivers substantial reduction in costs; and
- Reducing overheads, and bringing down support costs more in line with national averages.

The Mayor and the Metropolitan Police Service recognise the level of change is ambitious and needs to be undertaken under aggressive time scales. Risk management will be key to maintaining progress towards the required outcomes.

Whilst the OPM breakdown is not formally presented within the budget, the MPS has used OPM analysis to inform the costing of services in building the budget. As MOPAC/ MPS move forward they intend to place a stronger emphasis on service costing and the use of OPM codes will be integral to this.

No in depth analysis has been undertaken to understand why crime has fallen more slowly in London over the last 10 years. One must be cautious when comparing crime in London to the rest of the country. When population density and urban character are taken into account, crime in London is comparable. However, London is uniquely urban compared to other police force areas and there is good international evidence of the link between high levels of urbanisation and high levels of crime. It is worth noting that the general downward trend seen nationally, began more slowly in

London, but has continued for longer. Crime in some other parts of the country is beginning to increase. Changes to policing style in the last couple of years including more focus on predictive policing, targeting hotspots and reducing repeat victimisation is also likely to have contributed to the reductions being seen.

Recommendation 7

The Mayor's budget should include a more accurate estimate of business rates income taking into account the growth of London's economy and using the forecasts made by each London borough.

The Mayor's Budget makes the best estimates of business rates income available. However, these forecasts are heavily reliant on information from billing authorities and Boroughs themselves express uncertainty over their estimates. For example, they have little better insight to the potential outcome of appeals which the Valuation Office Agency manages. Further, the first actual full year figures for business rates, as against forecasts, will not be available until the summer. The Budget assumes it is better to use a higher estimate than the Boroughs total (which given the uncertainties is no less accurate) and manage the risk through the Mayor's Resilience Reserve.

Future budgets will endeavour to include estimates of business rates income which take into account the growth of London's economy. Work will continue with billing authorities and London Councils to make the best forecasts of retained business rates but there will remain important limitations on such estimates.

Recommendation 8

From 2014-15 the GLA should publish estimates of business rates income in its budget guidance and draft consultation budget using data produced by London boroughs.

The GLA will publish a borough by borough breakdown of business rates, showing government baseline figures, borough 2013-14 estimates, borough 2013-14 updates where available and 2014-15 estimates. The GLA will publish its best estimates of business rates income in its 2014-15 Budget Guidance and Draft Consultation Budget.

Recommendation 9

The Mayor's budget should clearly set out the results of the core GLA's budget prioritisation process, explaining what projects and programmes will have their funding cut from that set out for 2014-15 in last year's budget and why.

The GLA's budget prioritisation process has yet to conclude. Details will be passed to the Assembly once they are available.

Recommendation 10

While we recognise that this will be fully addressed in next year's budget, the Mayor should indicate in this year's budget how the budget gaps of LFEPA and the LLDC will be met from 2015-16, and where any extra GLA funding will come from.

MAYOR OF LONDON

Page 27 of the Budget Consultation Document sets out that LFEPA have savings to be agreed of £11.1m in 2015-16. This is to be met by additional savings to be made by LFEPA. Page 37 of the Budget Consultation Document sets out that LLDC has a balanced budget for 2015-16 after use of reserves and planned GLA funding.

Recommendation 11

Before the Met outsources its back office functions the Mayor should consider whether a) other parts of the GLA Group should join this process with the Met and b) whether the Met should share these functions with other parts of the Group instead of outsourcing them. It should publish its findings in its next shared services update report to the GLA Oversight Committee, which monitors the GLA's progress in shared services.

In consultation with MOPAC and the MPS, the next shared services update to the Oversight Committee will report on the issues raised on the Met outsourcing its back office functions.

Recommendation 12

In the next shared services update report, the Mayor's Chief of Staff should include an analysis of how the government's shared services model could be applied to the GLA Group.

The next shared services update to the Oversight Committee will report on the issues raised on how the Government's shared services model could be applied to the GLA Group.

Recommendation 13

In response to this report the Mayor should commit to:

Publish more detail on the size and tenure of affordable homes in quarterly housing statistics

Secure a commitment from the Met to provide the Assembly with regular Operational Policing Measure data as part of quarterly performance reporting.

Gain agreement from the LLDC to publish major contracts and development deals, rather than just provide a register of those contracts.

The GLA is already publishing considerable levels of information on affordable housing delivery on a monthly basis. The Mayor recognises there is a significant appetite for a wider range of information and has committed to addressing this by publishing a full range of data, at scheme and unit level, which will allow for customised analysis by any interested party. This information will be made available before the end of the financial year and on an ongoing basis.

MOPAC confirm that Operational Policing Measure data will be provided to the Budget Monitoring Sub-Committee on a quarterly basis.

The Legacy Corporation currently publishes data in line with GLA Group practice and the Government's transparency code of recommended practice giving details of contract parties, a description of the contract and the completion date and/or end date. A

transparency clause has been added to all new contracts. The Legacy Corporation has several major projects which will be tendered shortly or in the years ahead. Securing the best deal for the tax payer would be compromised if these details were in the public domain.

Recommendation 14

In response to this report the GLA should respond to the following suggestions for improvements to its range of Key Performance Indicators and targets:

Monitor the number of employees whose wages have increased to the London Living Wage.

Introduce a stretch target in 2014-15 and 2015-16 for the number of jobs the GLA creates and/or supports.

Set clear performance measures for the GLA's External Affairs department.

The GLA keeps its suite of Key Performance Indicators (KPIs) under on-going review and welcomes the suggestions made in the pre-Budget report as to how they could be improved.

On the living wage, the GLA responded to the Budget Monitoring Sub-Committee's prior request to publish the number of employers benefiting from the London Living Wage with the following information: 'Research published by Queen Mary University of London in October 2013 estimates that 18,866 London employee salaries have been positively affected by the decision to implement the Living Wage. That compares with approximately 11,000 in 2012.' The information is derived from an annual survey and so it is not possible to calculate the number of employees affected on a quarterly basis. The GLA will, however, liaise with the Living Wage Foundation to determine what, if any, proxy measures can be used.

On job creation, the current target of 200,000 already represents a challenging target, although the Mayorality is not constrained by that number and will of course seek to create as many jobs as it can, particularly given that job creation is one of the Mayor's top priorities.

On the work of the External Affairs directorate, responding to correspondence promptly is already one of the GLA's KPIs. The Business Plan sets out in detail the work of the directorate and that will be updated shortly for the forthcoming 2014-15 financial year, along with the rest of the Plan's contents. Expectations relating to any additional investment in the website will form part of the updated text.

The Mayor, my colleagues in the functional bodies and myself look forward to discussing these issues with you over the next month or so.

MAYOR OF LONDON

Yours sincerely,



Sir Edward Lister
Chief of Staff

Cc: Martin Clarke, Executive Director of Resources, GLA
David Gallie, Assistant Director – Group Finance, GLA

